

# Senate File 453

SENATE FILE \_\_\_\_\_  
BY COMMITTEE ON APPROPRIATIONS  
(SUCCESSOR TO SSB 1205)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to state and local government financial and  
2 regulatory matters, making and reducing appropriations,  
3 providing a fee, increasing civil penalties, and providing  
4 applicability and effective dates.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 SF 453  
7 jp/cc/26

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1 1 DIVISION I  
1 2 PROPERTY TAX REPLACEMENT  
1 3 Section 1. Section 24.14, Code 2003, is amended to read as  
1 4 follows:  
1 5 24.14 TAX LIMITED.  
1 6 A greater tax than that so entered upon the record shall  
1 7 not be levied or collected for the municipality proposing the  
1 8 tax for the purposes indicated and a greater expenditure of  
1 9 public money shall not be made for any specific purpose than  
1 10 the amount estimated and appropriated for that purpose, except  
1 11 as provided in sections 24.6 and 24.15. All budgets set up in  
1 12 accordance with the statutes shall take such funds, and  
1 13 allocations made by sections 123.53, and 452A.79 and chapter  
~~1 14 405A~~, into account, and all such funds, regardless of their  
1 15 source, shall be considered in preparing the budget.  
1 16 Sec. 2. Section 331.403, subsection 3, Code 2003, is  
1 17 amended to read as follows:  
1 18 3. A county that fails to meet the filing deadline imposed  
1 19 by this section shall have withheld from payments to be made  
1 20 to the county ~~and allocated to the county pursuant to chapter~~  
~~1 21 405A section 425.1~~ an amount equal to five cents per capita  
1 22 until the financial report is filed.  
1 23 Sec. 3. Section 331.427, subsection 1, unnumbered  
1 24 paragraph 1, Code 2003, is amended to read as follows:  
1 25 Except as otherwise provided by state law, county revenues  
1 26 from taxes and other sources for general county services shall  
1 27 be credited to the general fund of the county, including  
1 28 revenues received under sections 91.11, 101A.3, 101A.7,  
1 29 123.36, 123.143, 142B.6, 176A.8, 321.105, 321.152, 321G.7,  
1 30 section 331.554, subsection 6, sections 341A.20, 364.3,  
1 31 368.21, 422A.2, 428A.8, 430A.3, 433.15, 434.19, 445.57,  
1 32 453A.35, 458A.21, 483A.12, 533.24, 556B.1, 583.6, 602.8108,  
1 33 904.908, and 906.17, ~~and chapter 405A~~, and the following:  
1 34 Sec. 4. Section 384.22, unnumbered paragraph 2, Code 2003,  
1 35 is amended to read as follows:  
2 1 A city that fails to meet the filing deadline imposed by  
2 2 this section shall have withheld from payments to be made to  
2 3 ~~the county which are allocated to the city pursuant to chapter~~  
~~2 4 405A section 425.1~~ an amount equal to five cents per capita  
2 5 until the annual report is filed with the auditor of state.  
2 6 Sec. 5. Section 427B.19, subsection 3, unnumbered  
2 7 paragraph 1, Code 2003, is amended to read as follows:  
2 8 On or before September 1 of each fiscal year through June  
2 9 30, ~~2006~~ 2004, the county auditor shall prepare a statement,  
2 10 based upon the report received pursuant to subsections 1 and  
2 11 2, listing for each taxing district in the county:  
2 12 Sec. 6. Section 427B.19, subsection 3, paragraph c, Code  
2 13 2003, is amended to read as follows:  
2 14 c. The industrial machinery, equipment and computers tax  
2 15 replacement claim for each taxing district. For fiscal years  
2 16 beginning July 1, 1996, and ending June 30, 2001, the  
2 17 replacement claim is equal to the amount determined pursuant  
2 18 to paragraph "a", multiplied by the tax rate specified in  
2 19 paragraph "b". For fiscal years beginning July 1, 2001, and  
2 20 ending June 30, ~~2006~~ 2004, the replacement claim is equal to

2 21 the product of the amount determined pursuant to paragraph  
2 22 "a", less any increase in valuations determined in paragraph  
2 23 "d", and the tax rate specified in paragraph "b". If the  
2 24 amount subtracted under paragraph "d" is more than the amount  
2 25 determined in paragraph "a", there is no tax replacement for  
2 26 the fiscal year.

2 27 Sec. 7. Section 427B.19A, subsection 1, Code 2003, is  
2 28 amended to read as follows:

2 29 1. The industrial machinery, equipment and computers  
2 30 property tax replacement fund is created. For the fiscal year  
2 31 beginning July 1, 1996, through the fiscal year ending June  
2 32 30, ~~2006~~ 2004, there is appropriated annually from the general  
2 33 fund of the state to the department of revenue and finance to  
2 34 be credited to the industrial machinery, equipment and  
2 35 computers property tax replacement fund, an amount sufficient  
3 1 to implement this division. However, for the fiscal year  
3 2 beginning July 1, 2003, the amount appropriated to the  
3 3 department of revenue and finance to be credited to the  
3 4 industrial machinery, equipment and computers tax replacement  
3 5 fund is ten million eighty-one thousand six hundred eighty=  
3 6 five dollars.

3 7 Sec. 8. Section 427B.19C, Code 2003, is amended to read as  
3 8 follows:

3 9 427B.19C ADJUSTMENT OF CERTAIN ASSESSMENTS REQUIRED.

3 10 In the assessment year beginning January 1, ~~2005~~ 2003, the  
3 11 amount of assessed value of property defined in section  
3 12 403.19, subsection 1, for an urban renewal taxing district  
3 13 which received replacement moneys under section 427B.19A,  
3 14 subsection 4, shall be reduced by an amount equal to that  
3 15 portion of the amount of assessed value of such property which  
3 16 was assessed pursuant to section 427B.17, subsection 3.

3 17 Sec. 9. Section 441.73, subsection 4, Code 2003, is  
3 18 amended to read as follows:

3 19 4. The executive council shall transfer for the fiscal  
3 20 year beginning July 1, 1992, and each fiscal year thereafter,  
3 21 from funds established in sections ~~405A.8~~, 425.17 and 426.1,  
3 22 an amount necessary to pay litigation expenses. The amount of  
3 23 the fund for each fiscal year shall not exceed seven hundred  
3 24 thousand dollars. The executive council shall determine  
3 25 annually the proportionate amounts to be transferred from the  
3 26 ~~three~~ two separate funds. At any time when no litigation is  
3 27 pending or in progress the balance in the litigation expense  
3 28 fund shall not exceed one hundred thousand dollars. Any  
3 29 excess moneys shall be transferred in a proportionate amount  
3 30 back to the funds from which they were originally transferred.

3 31 Sec. 10. GUARANTEE OF REPLACEMENT FUNDS. The revaluation  
3 32 of all industrial machinery, equipment, and computers  
3 33 authorized in section 427B.19B, Code 2003, as a result of the  
3 34 insufficient funding of the industrial machinery, equipment  
3 35 and computers property tax replacement fund for the fiscal  
4 1 year beginning July 1, 2002, is void and taxes payable in the  
4 2 fiscal year beginning July 1, 2003, shall not be levied on the  
4 3 amount of such revaluation.

4 4 Sec. 11. Sections 403.23, 405A.1, 405A.2, 405A.3, 405A.4,  
4 5 405A.5, 405A.6, 405A.7, 405A.8, 405A.9, 405A.10, 422.65,  
4 6 427A.12, and 427B.19B, Code 2003, are repealed.

4 7 Sec. 12. UNIFORM REDUCTIONS. The general assembly finds  
4 8 that the provisions of this division of this Act will result  
4 9 in reductions in appropriations that would otherwise be made  
4 10 from the general fund of the state for the fiscal year  
4 11 beginning July 1, 2003, that total \$70,000,000. If the  
4 12 governor vetoes a portion of this division of this Act, the  
4 13 governor shall order uniform reductions in appropriations  
4 14 allotments as provided in section 8.31, in an amount equal to  
4 15 the appropriations that are made as a result of the veto.

4 16 Sec. 13. EFFECTIVE DATE. The section of this division of  
4 17 this Act that voids the revaluation of machinery, equipment,  
4 18 and computers, being deemed of immediate importance, takes  
4 19 effect upon enactment.

## 4 20 DIVISION II 4 21 PARKING TICKETS

4 22 Sec. 14. Section 321.236, subsection 1, paragraph a, Code  
4 23 2003, is amended to read as follows:

4 24 a. May be charged and collected upon a simple notice of a  
4 25 fine payable to the city clerk or clerk of the district court,  
4 26 if authorized by ordinance. The fine ~~shall not exceed five~~  
4 27 ~~dollars except for snow route parking violations in which case~~  
4 28 ~~the fine shall not exceed twenty-five dollars for each~~  
4 29 ~~violation charged under a simple notice of a fine shall be~~  
4 30 ~~established by ordinance. The fine may be increased up to ten~~  
4 31 ~~by five dollars if the parking violation is not paid within~~

4 32 thirty days of the date upon which the violation occurred, if  
4 33 authorized by ordinance. Violations of section 321L.4,  
4 34 subsection 2, may be charged and collected upon a simple  
4 35 notice of a one hundred dollar fine payable to the city clerk  
5 1 or clerk of the district court, if authorized by ordinance.  
5 2 No costs or other charges shall be assessed. All fines  
5 3 collected by a city pursuant to this paragraph shall be  
5 4 retained by the city and all fines collected by a county  
5 5 pursuant to this paragraph shall be retained by the county.  
5 6 Sec. 15. Section 805.8A, subsection 1, paragraph a, Code  
5 7 2003, is amended to read as follows:  
5 8 a. For parking violations under sections 321.236, 321.239,  
5 9 321.358, 321.360, and 321.361, the scheduled fine is five  
5 10 dollars, except if the local authority has established the  
5 11 fine by ordinance pursuant to section 321.236, subsection 1.  
5 12 The scheduled fine for a parking violation of pursuant to  
5 13 section 321.236 increases in an amount up to ten by five  
5 14 dollars, as authorized by ordinance pursuant to section  
5 15 321.236, subsection 1, paragraph "a", if the parking violation  
5 16 is not paid within thirty days of the date upon which the  
5 17 violation occurred. For purposes of calculating the unsecured  
5 18 appearance bond required under section 805.6, the scheduled  
5 19 fine shall be five dollars, or if the amount of the fine is  
5 20 greater than five dollars, the unsecured appearance bond shall  
5 21 be the amount of the fine established by the local authority  
5 22 pursuant to section 321.236, subsection 1. However,  
5 23 violations charged by a city or county upon simple notice of a  
5 24 fine instead of a uniform citation and complaint as permitted  
5 25 by section 321.236, subsection 1, paragraph "a", are not  
5 26 scheduled violations, and this section shall not apply to any  
5 27 offense charged in that manner. For a parking violation under  
5 28 section 321.362 or 461A.38, the scheduled fine is ten dollars.

#### 5 29 DIVISION III

##### 5 30 LAW ENFORCEMENT ACADEMY

5 31 Sec. 16. NEW SECTION. 80B.11E ACADEMY TRAINING ==  
5 32 APPLICATION BY INDIVIDUAL == INDIVIDUAL EXPENSE.  
5 33 1. Notwithstanding any other provision of law to the  
5 34 contrary, an individual who is not a certified law enforcement  
5 35 officer may apply for attendance at the law enforcement  
6 1 academy at their own expense if such individual is sponsored  
6 2 by a law enforcement agency that either intends to hire or has  
6 3 hired the individual as a law enforcement officer on the  
6 4 condition that the individual meets the minimum eligibility  
6 5 standards described in subsection 2.  
6 6 2. An individual who submits an application pursuant to  
6 7 subsection 1 shall, at a minimum, meet all minimum hiring  
6 8 standards as established by academy rules, including the  
6 9 successful completion of certain psychological and physical  
6 10 testing examinations. In addition, such individual shall be  
6 11 of good moral character as determined by a thorough background  
6 12 investigation by the academy for a fee. For such purposes,  
6 13 the academy shall have the authority to conduct a background  
6 14 investigation of the individual, including a fingerprint  
6 15 search of local, state, and national fingerprint files.  
6 16 3. An individual shall not be granted permission to attend  
6 17 an academy training program if such acceptance would result in  
6 18 the nonacceptance of another qualifying applicant who is a law  
6 19 enforcement officer.  
6 20 4. An individual who has not been hired by a law  
6 21 enforcement agency must be hired by a law enforcement agency  
6 22 within eighteen months of completing the appropriate  
6 23 coursework at the law enforcement academy in order to obtain  
6 24 certification pursuant to this section.

#### 6 25 DIVISION IV

##### 6 26 BUDGET

6 27 Sec. 17. Section 331.436, Code 2003, is amended to read as  
6 28 follows:  
6 29 331.436 PROTEST.  
6 30 Protests to the adopted budget must be made in accordance  
6 31 with sections 24.27 through 24.32 as if the county were the  
6 32 municipality under those sections except that the number of  
6 33 people necessary to file a protest under this section shall  
6 34 not be less than one hundred.

#### 6 35 DIVISION V

##### 7 1 INDEBTEDNESS REPORTING == COLLECTION OF TAXES

7 2 Sec. 18. Section 403.23, subsection 1, Code 2003, is  
7 3 amended by striking the subsection and inserting in lieu  
7 4 thereof the following:  
7 5 1. On or before December 1 of each odd-numbered year, each  
7 6 municipality that has established an urban renewal area shall  
7 7 report to the department of management and to the appropriate

7 8 county auditor the total amount of loans, advances,  
7 9 indebtedness, or bonds outstanding at the close of the most  
7 10 recently ended fiscal year, which qualify for payment from the  
7 11 special fund created in section 403.19, including interest  
7 12 negotiated on such loans, advances, indebtedness, or bonds.  
7 13 For purposes of this subsection, "indebtedness" includes  
7 14 written agreements whereby the municipality agrees to suspend,  
7 15 abate, exempt, rebate, refund, or reimburse property taxes, or  
7 16 provide a grant for property taxes paid, with moneys in the  
7 17 special fund. The amount of loans, advances, indebtedness, or  
7 18 bonds shall be listed in the aggregate for each municipality  
7 19 reporting.

7 20 Sec. 19. Section 403.23, subsections 2 and 3, Code 2003,  
7 21 are amended to read as follows:

7 22 2. At the request of the legislative fiscal bureau, the  
7 23 department of management shall provide the reports and  
7 24 additional information to the legislative fiscal bureau. The  
7 25 department of management, in consultation with the legislative  
7 26 fiscal bureau, shall determine reporting criteria and shall  
7 27 prepare a form for reports filed with the department pursuant  
7 28 to this section. The department shall make the form available  
7 29 by electronic means.

7 30 3. If a municipality does not file the ~~annual~~ report with  
7 31 the department of management and the county auditor by  
7 32 December 1 of each odd-numbered year, the county treasurer  
7 33 shall withhold disbursement of incremental taxes to the  
7 34 municipality until the ~~annual~~ report is filed beginning  
7 35 immediately with the next following disbursement of taxes.  
8 1 The county auditor shall notify the county treasurer if taxes  
8 2 are to be withheld.

8 3 Sec. 20. Section 631.1, Code 2003, is amended by adding  
8 4 the following new subsection:

8 5 NEW SUBSECTION. 7. The district court sitting in small  
8 6 claims has concurrent jurisdiction of an action for the  
8 7 collection of taxes brought by a county treasurer pursuant to  
8 8 sections 445.3 and 445.4 where the amount in controversy is  
8 9 five thousand dollars or less for actions commenced on or  
8 10 after July 1, 2003, exclusive of interest and costs.

#### 8 11 DIVISION VI

#### 8 12 MUNICIPAL AND COUNTY INFRACTIONS

8 13 Sec. 21. Section 331.302, subsection 15, Code 2003, is  
8 14 amended to read as follows:

8 15 15. A county shall not provide a civil penalty in excess  
8 16 of ~~five seven hundred fifty~~ five seven hundred fifty dollars for the violation of an  
8 17 ordinance which is classified as a county infraction or if the  
8 18 infraction is a repeat offense, a civil penalty not to exceed  
8 19 ~~seven hundred fifty one thousand~~ seven hundred fifty one dollars for each repeat  
8 20 offense. A county infraction is not punishable by  
8 21 imprisonment.

8 22 Sec. 22. Section 331.307, subsection 1, Code 2003, is  
8 23 amended to read as follows:

8 24 1. A county infraction is a civil offense punishable by a  
8 25 civil penalty of not more than ~~five seven hundred fifty~~ five seven hundred fifty  
8 26 dollars for each violation or if the infraction is a repeat  
8 27 offense a civil penalty not to exceed ~~seven hundred fifty one~~ seven hundred fifty one  
8 28 thousand dollars for each repeat offense.

8 29 Sec. 23. Section 364.3, subsection 6, Code 2003, is  
8 30 amended to read as follows:

8 31 6. A city shall not provide a civil penalty in excess of  
8 32 ~~five seven hundred fifty~~ five seven hundred fifty dollars for the violation of an  
8 33 ordinance which is classified as a municipal infraction or if  
8 34 the infraction is a repeat offense, a civil penalty not to  
8 35 exceed ~~seven hundred fifty one thousand~~ seven hundred fifty one dollars for each  
9 1 repeat offense. A municipal infraction is not punishable by  
9 2 imprisonment.

9 3 Sec. 24. Section 364.22, subsection 1, unnumbered  
9 4 paragraph 1, Code 2003, is amended to read as follows:

9 5 A municipal infraction is a civil offense punishable by a  
9 6 civil penalty of not more than ~~five seven hundred fifty~~ five seven hundred fifty  
9 7 dollars for each violation or if the infraction is a repeat  
9 8 offense, a civil penalty not to exceed ~~seven hundred fifty one~~ seven hundred fifty one  
9 9 thousand dollars for each repeat offense. However,

9 10 notwithstanding section 364.3, a municipal infraction arising  
9 11 from noncompliance with a pretreatment standard or  
9 12 requirement, referred to in 40 C.F.R. } 403.8, by an  
9 13 industrial user may be punishable by a civil penalty of not  
9 14 more than one thousand dollars for each day a violation exists  
9 15 or continues.

#### 9 16 DIVISION VII

#### 9 17 TRANSACTION FEE

9 18 Sec. 25. NEW SECTION. 331.605C ELECTRONIC TRANSACTION



9 19 FEE == AUDIT.  
9 20 1. For the fiscal year beginning July 1, 2003, and ending  
9 21 June 30, 2004, the recorder shall collect a fee of five  
9 22 dollars for each recorded transaction for which a fee is paid  
9 23 pursuant to section 331.604 to be used for the purposes of  
9 24 planning and implementing electronic recording and electronic  
9 25 transactions in each county and developing county and  
9 26 statewide internet websites to provide electronic access to  
9 27 records and information.  
9 28 2. Beginning July 1, 2004, the recorder shall collect a  
9 29 fee of one dollar for each recorded transaction for which a  
9 30 fee is paid pursuant to section 331.604 to be used for the  
9 31 purpose of paying the county's ongoing costs of maintaining  
9 32 the systems developed and implemented under subsection 1.  
9 33 3. The county treasurer, on behalf of the recorder, shall  
9 34 establish and maintain an interest-bearing account into which  
9 35 all moneys collected pursuant to subsections 1 and 2 shall be  
10 1 deposited.  
10 2 4. The state government electronic transaction fund is  
10 3 established in the office of the treasurer of state under the  
10 4 control of the treasurer of state. Moneys deposited into the  
10 5 fund are not subject to section 8.33. Notwithstanding section  
10 6 12C.7, interest or earnings on moneys in the state government  
10 7 electronic transaction fund shall be credited to the fund.  
10 8 Moneys in the state government electronic transaction fund are  
10 9 not subject to transfer, appropriation, or reversion to any  
10 10 other fund, or any other use except as provided in this  
10 11 subsection. The treasurer of state shall enter into a  
10 12 contract with the Iowa state association of counties affiliate  
10 13 representing county recorders to develop, implement, and  
10 14 maintain a statewide internet website for purposes of  
10 15 providing electronic access to records and information  
10 16 recorded or filed by county recorders. On a monthly basis,  
10 17 the county treasurer shall pay one dollar of each fee  
10 18 collected pursuant to subsection 1 to the treasurer of state  
10 19 for deposit into the state government electronic transaction  
10 20 fund. Moneys credited to the state government electronic  
10 21 transaction fund are appropriated to the treasurer of state to  
10 22 be used for contract costs. This subsection is repealed June  
10 23 30, 2004.  
10 24 5. The pooled local government electronic transaction fund  
10 25 is established in the office of the treasurer of state under  
10 26 control of the treasurer of state. Moneys deposited into the  
10 27 fund are not subject to section 8.33. Notwithstanding section  
10 28 12C.7, interest or earnings on moneys in the pooled local  
10 29 government electronic transaction fund shall be credited to  
10 30 the fund. Moneys in the fund are not subject to transfer,  
10 31 appropriation, or reversion to any other fund, or any other  
10 32 use except as provided in this subsection. On a quarterly  
10 33 basis, the county treasurer shall pay four dollars of each fee  
10 34 collected pursuant to subsection 1 and all fees collected  
10 35 pursuant to subsection 2, to the treasurer of state for  
11 1 deposit into the pooled local government electronic  
11 2 transaction fund. Moneys credited to the pooled local  
11 3 government electronic transaction fund are appropriated to the  
11 4 treasurer of state to be distributed equally to all counties  
11 5 and paid to the county treasurers of each county within thirty  
11 6 days after the moneys are received by the treasurer of state.  
11 7 Moneys received by a county treasurer pursuant to this  
11 8 subsection shall be deposited into the account established and  
11 9 maintained by the county treasurer on behalf of the county  
11 10 recorder under subsection 3, and shall be used by the county  
11 11 recorder for the purposes set forth in subsections 1 and 2.  
11 12 6. The recorder shall make available any information  
11 13 required by the county auditor or auditor of state concerning  
11 14 the fees collected under this section for the purposes of  
11 15 determining the amount of fees collected and the uses for  
11 16 which such fees are expended.

#### 11 17 DIVISION VIII

#### 11 18 LOCAL GOVERNMENT LEASES

11 19 Sec. 26. Section 346.27, Code 2003, is amended by adding  
11 20 the following new subsection:  
11 21 NEW SUBSECTION. 26. Any incorporating unit may enter into  
11 22 a lease with an authority that the authority and the  
11 23 incorporating unit determine is necessary and convenient to  
11 24 effectuate their purposes and the purposes of this section.  
11 25 The power to enter into leases under this section is in  
11 26 addition to other powers granted to cities and counties to  
11 27 enter into leases and the provisions of chapter 75, section  
11 28 364.4, subsection 4, and section 331.301, subsection 10, are  
11 29 not applicable to leases entered into under this section.

DIVISION IX

LOCAL GOVERNMENT INNOVATION FUND

Sec. 27. NEW SECTION. 8.64 LOCAL GOVERNMENT INNOVATION

FUND == COMMITTEE == LOANS.

1. The local government innovation fund is created in the state treasury under the control of the department of management for the purpose of stimulating and encouraging innovation in local government by the awarding of loans to cities and counties.

2. The director of the department of management shall establish a seven-member committee to be called the local government innovation fund committee. Committee members shall have expertise in local government. The committee shall review all requests for funds and approve loans of funds if the committee determines that a city or county project that is the subject of a request would result in cost savings, innovative approaches to service delivery, or added revenue to the city, county, or state. Eligible projects are projects which cannot be funded from a city's or county's operating budget without adversely affecting the city's or county's normal service levels. Preference shall be given to requests involving the sharing of services between two or more local governments. Projects may include, but are not limited to, purchase of advanced technology, contracting for expert services, and acquisition of equipment or supplies.

3. A city or county seeking a loan from the local government innovation fund shall complete an application form designed by the local government innovation fund committee which employs a return on investment concept and demonstrates how the project funded by the loan will result in reduced city, county, or state general fund expenditures or how city or county fund revenues will increase without an increase in state costs. Minimum loan requirements for city or county requests shall be determined by the committee.

4. a. In order for the local government innovation fund to be self-supporting, the local government innovation fund committee shall establish repayment schedules for each loan awarded. The loan requirements shall be outlined in a chapter 28E agreement executed between the state and the city or county receiving the loan. A city or county shall repay the loan over a period not to exceed five years, with interest, at a rate to be determined by the local government innovation fund committee.

b. The local government innovation fund committee shall utilize the department of management, the department of revenue and finance, or other source of technical expertise designated by the committee to certify savings projected for a local government innovation fund project.

5. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the local government innovation fund shall be credited to the local government innovation fund. Notwithstanding section 8.33, moneys appropriated to and moneys remaining in the local government innovation fund at the end of a fiscal year shall not revert to the general fund of the state.

Sec. 28. LOCAL GOVERNMENT INNOVATION FUND APPROPRIATION.

There is appropriated from the general fund of the state to the department of management for the fiscal year beginning July 1, 2003, and ending June 30, 2004, the following amount, or so much thereof as is necessary, to be used for the purpose designated:

For deposit in the local government innovation fund created in section 8.64:

..... \$ 10,000,000

Notwithstanding section 8.64, subsection 4, as enacted by this division of this Act, the local government innovation fund committee may provide up to 20 percent of the amount appropriated in this section in the form of forgivable loans or as grants for those projects that propose a new and innovative sharing initiative that would serve as an important model for cities and counties.

DIVISION X

STUDY OF CITY AND COUNTY REGULATION BY THE  
DEPARTMENT OF NATURAL RESOURCES

Sec. 29. STUDY. The legislative council shall establish a study committee for the 2003 interim to review the department of natural resources' enforcement and penalty policies relating to regulation of cities and counties. The study committee shall review options for changing the department's approach to enforcement from reliance on punitive measures to a collaborative approach. In addition, the amounts of fines

14 6 shall be reviewed along with the possibility of designating a  
14 7 portion of a fine to be applied against the costs of  
14 8 compliance with the departmental regulation.

14 9 DIVISION XI

14 10 CHARGE FOR CAPITAL ASSETS

14 11 Sec. 30. CHARGE FOR CAPITAL ASSETS. For the fiscal year  
14 12 beginning July 1, 2003, and ending June 30, 2004, the  
14 13 department of management shall levy a charge against  
14 14 departments and establishments, as defined in section 8.2, for  
14 15 indirect costs associated with state ownership of land,  
14 16 buildings, equipment, or other capital assets controlled by a  
14 17 department or establishment. The charges shall not be levied  
14 18 against capital assets that are subject to charges levied by  
14 19 the department of administrative services, if the department  
14 20 is established by law, or against capital assets controlled by  
14 21 the state board of regents. Moneys received as a result of  
14 22 charges made under this section shall be transferred to the  
14 23 fund from which the moneys were originally appropriated. The  
14 24 total amount of charges levied under this section that are  
14 25 associated with appropriations made from the general fund of  
14 26 the state for the fiscal year shall not exceed \$1,720,000.

14 27 Sec. 31. CHARGE FOR CAPITAL == APPROPRIATIONS REDUCTION ==  
14 28 STATE BOARD OF REGENTS == STUDY.

14 29 1. In lieu of applying a charge for capital assets to the  
14 30 institutions under the control of the state board of regents  
14 31 as otherwise provided in this division for executive branch  
14 32 agencies, the appropriations made from the general fund of the  
14 33 state to the state board of regents for the general university  
14 34 operating budgets at the state university of Iowa, Iowa state  
14 35 university of science and technology, and university of  
15 1 northern Iowa, in 2003 Iowa Acts, House File 662, section 9,  
15 2 subsections 2, 3, and 4, are reduced by \$17,880,000. The  
15 3 state board of regents shall apply the reduction as follows:  
15 4 state university of Iowa, 46.7 percent, Iowa state university  
15 5 of science and technology, 36.8 percent, and university of  
15 6 northern Iowa, 16.5 percent.

15 7 2. The legislative council shall authorize a study for the  
15 8 2003 legislative interim on the policy option of levying  
15 9 charges for capital assets against all state agencies,  
15 10 including the state board of regents. The study  
15 11 recommendations and findings shall include but are not limited  
15 12 to identification of the capital assets that should be subject  
15 13 to charges and how capital assets funded by sources other than  
15 14 state funding should be charged. The study report, including  
15 15 findings and recommendations, shall be submitted to the  
15 16 general assembly for consideration during the 2004 legislative  
15 17 session. The study shall be conducted by a study committee  
15 18 consisting of the following: one member designated by the  
15 19 state board of regents, one member representing the department  
15 20 of management designated by the department's director, one  
15 21 member representing the state department of transportation  
15 22 appointed by the department's director, one member  
15 23 representing the judicial branch appointed by the chief  
15 24 justice of the supreme court, one member who is a member of  
15 25 the general assembly jointly appointed by the majority leader  
15 26 of the senate and the speaker of the house of representatives,  
15 27 and one member who is a member of the general assembly jointly  
15 28 appointed by the minority leader of the senate and the  
15 29 minority leader of the house of representatives. A  
15 30 chairperson or cochairpersons shall be designated by the  
15 31 legislative council.

15 32 DIVISION XII

15 33 CHARTER AGENCIES

15 34 Sec. 32. NEW SECTION. 7J.1 CHARTER AGENCIES.

15 35 1. DESIGNATION OF CHARTER AGENCIES == PURPOSE. The  
16 1 governor may, by executive order, designate up to five state  
16 2 departments or agencies, as described in section 7E.5, other  
16 3 than the department of administrative services, if the  
16 4 department is established in law, or the department of  
16 5 management, as a charter agency by July 1, 2003. The  
16 6 designation of a charter agency shall be for a period of five  
16 7 years which shall terminate as of June 30, 2008. The purpose  
16 8 of designating a charter agency is to grant the agency  
16 9 additional authority as provided by this chapter while  
16 10 reducing the total appropriations to the agency.

16 11 2. CHARTER AGENCY DIRECTORS.

16 12 a. Prior to each fiscal year, or as soon thereafter as  
16 13 possible, the governor and each director of a designated  
16 14 charter agency shall enter into an annual performance  
16 15 agreement which shall set forth measurable organization and  
16 16 individual goals for the director in key operational areas of

16 17 the director's agency. The annual performance agreement shall  
16 18 be made public and a copy of the agreement shall be submitted  
16 19 to the general assembly.  
16 20 b. In addition to the authority granted the governor as to  
16 21 the appointment and removal of a director of an agency that is  
16 22 a charter agency, the governor may remove a director of a  
16 23 charter agency for misconduct or for failure to achieve the  
16 24 performance goals set forth in the annual performance  
16 25 agreement.

16 26 c. Notwithstanding any provision of law to the contrary,  
16 27 the governor may set the salary of a director of a charter  
16 28 agency under the pay plan for exempt positions in the  
16 29 executive branch of government. In addition, the governor may  
16 30 authorize the payment of a bonus to a director of a charter  
16 31 agency in an amount not in excess of fifty percent of the  
16 32 director's annual rate of pay, based upon the governor's  
16 33 evaluation of the director's performance in relation to the  
16 34 goals set forth in the annual performance agreement.

16 35 d. A director of a charter agency may authorize the  
17 1 payment of bonuses to employees of the charter agency in a  
17 2 total amount not in excess of fifty percent of the director's  
17 3 annual rate of pay, based upon the director's evaluation of  
17 4 the employees' performance.

### 17 5 3. APPROPRIATIONS AND ASSET MANAGEMENT.

17 6 a. It is the intent of the general assembly that  
17 7 appropriations to a charter agency for any fiscal year shall  
17 8 be reduced, with a target reduction of ten percent for each  
17 9 charter agency, from the appropriation that would otherwise  
17 10 have been enacted for that charter agency.

17 11 b. Notwithstanding any provision of law to the contrary,  
17 12 proceeds from the sale or lease of capital assets that are  
17 13 under the control of a charter agency shall be retained by the  
17 14 charter agency and used for such purposes within the scope of  
17 15 the responsibilities of the charter agency.

17 16 c. Notwithstanding section 8.33, one-half of all  
17 17 unencumbered or unobligated balances of appropriations made  
17 18 for each fiscal year of that fiscal period to the charter  
17 19 agency shall not revert to the state treasury or to the credit  
17 20 of the funds from which the appropriations were made.

17 21 d. For the fiscal period beginning July 1, 2003, and  
17 22 ending June 30, 2005, a charter agency is not subject to a  
17 23 uniform reduction ordered by the governor in accordance with  
17 24 section 8.31.

### 17 25 4. PERSONNEL MANAGEMENT.

17 26 a. Notwithstanding any provision of law to the contrary, a  
17 27 charter agency shall not be subject to any limitation relating  
17 28 to the number of or pay grade assigned to its employees,  
17 29 including any limitation on the number of full-time equivalent  
17 30 positions as defined by section 8.36A.

17 31 b. A charter agency may waive any personnel rule and may  
17 32 exercise the authority granted to the department of personnel,  
17 33 or its successor, relating to personnel management concerning  
17 34 employees of the charter agency, subject to any restrictions  
17 35 on such authority as to employees of the charter agency  
18 1 covered by a collective bargaining agreement. The exclusive  
18 2 representative of employees of a charter agency may enter into  
18 3 agreements with the charter agency to grant the charter agency  
18 4 the authority described in this paragraph. A waiver of a rule  
18 5 pursuant to this subsection shall be indexed, filed, and made  
18 6 available for public inspection in the same manner as provided  
18 7 in section 17A.9A, subsection 4.

18 8 5. PROCUREMENT AND GENERAL SERVICES. A charter agency may  
18 9 waive any administrative rule regarding procurement, fleet  
18 10 management, printing and copying, or maintenance of buildings  
18 11 and grounds, and may exercise the authority of the department  
18 12 of general services, or its successor, as it relates to the  
18 13 physical resources of the state. A waiver of a rule pursuant  
18 14 to this subsection shall be indexed, filed, and made available  
18 15 for public inspection in the same manner as provided in  
18 16 section 17A.9A, subsection 4.

18 17 6. INFORMATION TECHNOLOGY. A charter agency may waive any  
18 18 administrative rule regarding the acquisition and use of  
18 19 information technology and may exercise the powers of the  
18 20 information technology department, or its successor, as it  
18 21 relates to information technology. A waiver of a rule  
18 22 pursuant to this subsection shall be indexed, filed, and made  
18 23 available for public inspection in the same manner as provided  
18 24 in section 17A.9A, subsection 4.

### 18 25 7. RULE FLEXIBILITY.

18 26 a. A charter agency may temporarily waive or suspend the  
18 27 provisions of any administrative rule if strict compliance



18 28 with the rule impacts the ability of the charter agency  
18 29 requesting the waiver or suspension to perform its duties in a  
18 30 more cost-efficient manner and the requirements of this  
18 31 subsection are met.

18 32 b. The procedure for granting a temporary waiver or  
18 33 suspension of any administrative rule shall be as follows:

18 34 (1) The charter agency may waive or suspend a rule if the  
18 35 agency finds, based on clear and convincing evidence, all of  
19 1 the following:

19 2 (a) The application of the rule poses an undue financial  
19 3 hardship on the applicable charter agency.

19 4 (b) The waiver or suspension from the requirements of a  
19 5 rule in the specific case would not prejudice the substantial  
19 6 legal rights of any person.

19 7 (c) Substantially equal protection of public health,  
19 8 safety, and welfare will be afforded by a means other than  
19 9 that prescribed in the particular rule for which the waiver or  
19 10 suspension is requested.

19 11 (d) The waiver or suspension would not result in a  
19 12 violation of due process, a violation of state or federal law,  
19 13 or a violation of the state or federal constitution.

19 14 (2) If a charter agency proposes to grant a waiver or  
19 15 suspension, the charter agency shall draft the waiver or  
19 16 suspension so as to provide the narrowest exception possible  
19 17 to the provisions of the rule and may place any condition on  
19 18 the waiver or suspension that the charter agency finds  
19 19 desirable to protect the public health, safety, and welfare.  
19 20 The charter agency shall then submit the waiver or suspension  
19 21 to the administrative rules review committee for consideration  
19 22 at the committee's next scheduled meeting.

19 23 (3) The administrative rules review committee shall review  
19 24 the proposed waiver or suspension at the committee's next  
19 25 scheduled meeting following submission of the proposal and may  
19 26 either take no action or affirmatively approve the waiver or  
19 27 suspension, or delay the effective date of the waiver or  
19 28 suspension in the same manner as for rules as provided in  
19 29 section 17A.4, subsection 5, and section 17A.8, subsection 9.  
19 30 If the administrative rules review committee either approves  
19 31 or takes no action concerning the proposed waiver or  
19 32 suspension, the waiver or suspension may become effective no  
19 33 earlier than the day following the meeting. If the  
19 34 administrative rules review committee delays the effective  
19 35 date of the waiver or suspension but no further action is  
20 1 taken to rescind the waiver or suspension, the proposed waiver  
20 2 or suspension may become effective no earlier than upon the  
20 3 conclusion of the delay. The administrative rules review  
20 4 committee shall notify the applicable charter agency of its  
20 5 action concerning the proposed waiver or suspension.

20 6 (4) Copies of the grant or denial of a waiver or  
20 7 suspension under this subsection shall be filed and made  
20 8 available to the public by the applicable charter agency.

20 9 c. A waiver or suspension granted pursuant to this  
20 10 subsection shall be for a period of time not to exceed twelve  
20 11 months or until June 30, 2008, whichever first occurs, and as  
20 12 determined by the applicable charter agency. A renewal of a  
20 13 temporary waiver or suspension granted pursuant to this  
20 14 section shall be granted or denied in the same manner as the  
20 15 initial waiver or suspension.

#### 20 16 8. REPORTING REQUIREMENTS.

20 17 a. Each charter agency shall submit a written report to  
20 18 the general assembly by December 31 of each year summarizing  
20 19 the activities of the charter agency for the preceding fiscal  
20 20 year. The report shall include information concerning the  
20 21 expenditures of the agency and the number of filled full-time  
20 22 equivalent positions during the preceding fiscal year. The  
20 23 report shall include information relating to the actions taken  
20 24 by the agency pursuant to the authority granted by this  
20 25 section.

20 26 b. By January 15, 2008, the governor shall submit a  
20 27 written report to the general assembly on the operation and  
20 28 effectiveness of this chapter and the costs and savings  
20 29 associated with the implementation of this chapter. The  
20 30 report shall include any recommendations about extending the  
20 31 chapter's effectiveness beyond June 30, 2008.

20 32 9. DEPARTMENT OF MANAGEMENT REVIEW. Each proposed waiver  
20 33 or suspension of an administrative rule as authorized by this  
20 34 section shall be submitted to the department of management for  
20 35 review prior to the waiver or suspension becoming effective.

21 1 The director of the department of management may disapprove  
21 2 the waiver or suspension if, based on clear and convincing  
21 3 evidence, the director determines that the suspension or

21 4 waiver would result in an adverse financial impact on the  
21 5 state.

21 6 Sec. 33. NEW SECTION. 7J.2 CHARTER AGENCY LOAN FUND.

21 7 1. A charter agency loan fund is created in the state  
21 8 treasury under the control of the department of management for  
21 9 the purpose of providing funding to support innovation by  
21 10 those state agencies designated as charter agencies in  
21 11 accordance with section 7J.1. Innovation purposes shall  
21 12 include but are not limited to training, development of  
21 13 outcome measurement systems, management system modifications,  
21 14 and other modifications associated with transition of  
21 15 operations to charter agency status. Moneys in the fund are  
21 16 appropriated to the department of management for the purposes  
21 17 described in this subsection.

21 18 2. A charter agency requesting a loan from the fund shall  
21 19 complete an application process designated by the director of  
21 20 the department of management. Minimum loan requirements for  
21 21 charter agency requests shall be determined by the director.

21 22 3. In order for the fund to be self-supporting, the  
21 23 director of the department of management shall establish  
21 24 repayment schedules for each loan awarded. An agency shall  
21 25 repay the loan over a period not to exceed five years with  
21 26 interest, at a rate to be determined by the director.

21 27 4. Notwithstanding section 12C.7, subsection 2, interest  
21 28 or earnings on moneys deposited in the charter agency loan  
21 29 fund shall be credited to the charter agency loan fund.  
21 30 Notwithstanding section 8.33, moneys credited to the charter  
21 31 agency loan fund shall not revert to the fund from which  
21 32 appropriated at the close of a fiscal year.

21 33 Sec. 34. NEW SECTION. 7J.3 REPEAL. This chapter is  
21 34 repealed June 30, 2008.

21 35 Sec. 35. CHARTER AGENCY APPROPRIATIONS.

22 1 1. Notwithstanding any provision of law to the contrary,  
22 2 the total appropriations from the general fund of the state to  
22 3 those departments and agencies designated as charter agencies  
22 4 for the fiscal year beginning July 1, 2003, and ending June  
22 5 30, 2004, as provided by the appropriation to those agencies  
22 6 as enacted by the Eightieth General Assembly, 2003 Regular  
22 7 Session, shall be reduced by \$15,000,000. The department of  
22 8 management shall apply the appropriation reductions, with a  
22 9 target of a 10 percent reduction for each charter agency, as  
22 10 necessary to achieve the overall reduction amount and shall  
22 11 make this information available to the legislative fiscal  
22 12 committee and the legislative fiscal bureau. It is the intent  
22 13 of the general assembly that appropriations to a charter  
22 14 agency in subsequent fiscal years shall be similarly adjusted  
22 15 from the appropriation that would otherwise have been enacted.

22 16 2. There is appropriated from the general fund of the  
22 17 state to the department of management for the fiscal year  
22 18 beginning July 1, 2003, and ending June 30, 2004, the  
22 19 following amount, or so much thereof as is necessary, to be  
22 20 used for the purposes designated:

22 21 For deposit in the charter agency loan fund created in  
22 22 section 7J.2:

22 23 ..... \$ 3,000,000

22 24 3. For the fiscal year beginning July 1, 2003, and ending  
22 25 June 30, 2004, if the actual amount of revenue received by a  
22 26 charter agency exceeds the revenue amount budgeted for that  
22 27 charter agency by the governor and the general assembly, the  
22 28 charter agency may consider the excess amount to be repayment  
22 29 receipts as defined in section 8.2.

22 30 Sec. 36. EFFECTIVE DATE. This division of this Act, being  
22 31 deemed of immediate importance, takes effect upon enactment.

22 32 DIVISION XIII

22 33 HEALTH INSURANCE INCENTIVE

22 34 Sec. 37. STATE EMPLOYEE HEALTH INSURANCE COSTS ==

22 35 INCENTIVE PROGRAM. The department of personnel, or its  
23 1 successor, may establish, with the approval of the executive  
23 2 council, an incentive program for state employees to encourage  
23 3 the reduction of health insurance costs for the fiscal year  
23 4 beginning July 1, 2003. If established, the incentive program  
23 5 shall provide that an amount equal to one-half of any savings  
23 6 realized through implementation of the program shall be  
23 7 distributed to applicable insured state employees in a manner  
23 8 established by the incentive program. The department shall  
23 9 provide the legislative government oversight committee with a  
23 10 copy of the proposed incentive program submitted to the  
23 11 executive council for approval. The department shall also  
23 12 submit a written update to the legislative government  
23 13 oversight committee by December 31, 2003, concerning its  
23 14 progress in implementing an incentive program.

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DIVISION XIV  
AREA EDUCATION AGENCIES  
Sec. 38. AREA EDUCATION AGENCY SERVICE DELIVERY TASK  
FORCE.  
1. The department of education shall establish a task  
force to study the delivery of media services, educational  
services, and special education support services by the area  
education agencies. The task force shall study issues  
including, but not limited to, all of the following:  
a. The potentiality of a fee for services, such as  
cooperative purchasing.  
b. The potential effects of allowing school districts to  
petition to join a noncontiguous area education agency.  
c. Opportunities for area education agencies to  
collaborate with community colleges and other higher education  
institutions, local libraries, and other community providers.  
d. Special education delivery by area education agencies  
and school districts, including the state's success in serving  
students identified as level I. This portion of the study  
shall also include a review of identification of students as  
level I; remediation, the success of preventative programs,  
including but not limited to, the early intervention block  
grant program; intensive instruction and tutoring; and  
appropriate reading instruction methodologies.  
e. Reduction of special education funding deficits,  
including a review of the use of state and federal funds for  
special education and related preventative programs.  
2. The task force membership shall include all of the  
following:  
a. The director of the department of education or the  
director's designee.  
b. An area education agency administrator.  
c. A person representing the interests of special  
education students.  
d. A superintendent of a district with an enrollment of  
more than six hundred students.  
e. A superintendent of a district with an enrollment of  
six hundred or fewer students.  
f. A person from the private sector with experience in  
developing plans for cost savings.  
g. A person who is a private provider of special education  
services.  
h. An administrator of an accredited nonpublic school.  
i. Ten members of the general assembly, including five  
senators appointed by the president of the senate after  
consultation with the majority and minority leaders of the  
senate, and five representatives appointed by the speaker of  
the house of representatives after consultation with the  
majority and minority leaders of the house of representatives.  
3. The department shall submit its findings and  
recommendations in a report to the chairpersons and ranking  
members of the senate and house standing committees on  
education and the joint appropriations subcommittee on  
education by December 15, 2003.  
Sec. 39. SPECIAL EDUCATION SUPPORT SERVICES BALANCE  
REDUCTION.  
1. For the fiscal year beginning July 1, 2003, and ending  
June 30, 2004, area education agency special education support  
services fund balances shall be reduced, with each area  
education agency remitting to the state the following  
designated amount:  
a. Area Education Agency 1 ..... \$ 517,120  
b. Area Education Agency 4 ..... \$ 221,604  
c. Area Education Agencies 3 and 5, and their  
successor area education agency ..... \$ 995,807  
d. Area Education Agencies 2, 6, 7, and their  
successor area education agency ..... \$ 913,710  
e. Area Education Agency 9 ..... \$ 468,138  
f. Area Education Agency 10 ..... \$ 964,357  
g. Area Education Agency 11 ..... \$ 3,620,018  
h. Area Education Agency 12 ..... \$ 512,949  
i. Area Education Agency 13 ..... \$ 666,285  
j. Area Education Agency 14 ..... \$ 405,065  
k. Area Education Agency 15 ..... \$ 413,282  
l. Area Education Agency 16 ..... \$ 301,664  
2. Notwithstanding the provisions of section 257.37, an  
area education agency may use the funds determined to be  
available under section 257.35 in a manner which it believes  
is appropriate to best maintain the level of required area  
education agency special education services. An area  
education agency may also use unreserved fund balances for

25 26 media services or education services in a manner which it  
25 27 believes is appropriate to best maintain the level of required  
25 28 area education agency special education services.  
25 29 Sec. 40. Section 257.35, subsection 2, Code 2003, is  
25 30 amended to read as follows:  
25 31 2. Notwithstanding subsection 1, the state aid for area  
25 32 education agencies and the portion of the combined district  
25 33 cost calculated for these agencies for ~~each the fiscal year of~~  
~~25 34 the fiscal period beginning July 1, 2002, and ending June 30,~~  
~~25 35 2004 beginning July 1, 2002, and each succeeding fiscal year,~~  
26 1 shall be reduced by the department of management by seven  
26 2 million five hundred thousand dollars. The reduction for each  
26 3 area education agency shall be equal to the reduction that the  
26 4 agency received in the fiscal year beginning July 1, 2001.  
26 5 Sec. 41. Section 257.35, Code 2003, is amended by adding  
26 6 the following new subsection:  
26 7 NEW SUBSECTION. 3. Notwithstanding subsection 1, and in  
26 8 addition to the reduction applicable pursuant to subsection 2,  
26 9 the state aid for area education agencies and the portion of  
26 10 the combined district cost calculated for these agencies for  
26 11 the fiscal year beginning July 1, 2003, and ending June 30,  
26 12 2004, shall be reduced by the department of management by ten  
26 13 million dollars. The department shall calculate a reduction  
26 14 such that each area education agency shall receive a reduction  
26 15 proportionate to the amount that it would otherwise have  
26 16 received under this section if the reduction imposed pursuant  
26 17 to this subsection did not apply.  
26 18 Sec. 42. Section 257.37, subsection 6, Code 2003, is  
26 19 amended to read as follows:  
26 20 6. For the budget ~~years year~~ beginning July 1, 2002, and  
26 21 ~~July 1, 2003~~ each succeeding budget year, notwithstanding the  
26 22 requirements of this section for determining the budgets and  
26 23 funding of media services and education services, an area  
26 24 education agency may, within the limits of the total of the  
26 25 funds provided for the budget years pursuant to section  
26 26 257.35, expend for special education support services an  
26 27 amount that exceeds the payment for special education support  
26 28 services pursuant to section 257.35 in order to maintain the  
26 29 level of required special education support services in the  
26 30 area education agency.  
26 31 Sec. 43. EFFECTIVE DATE. This division of this Act, being  
26 32 deemed of immediate importance, takes effect upon enactment.  
26 33  
26 34 DIVISION XV  
26 35 CHILD WELFARE SERVICES  
26 36 Sec. 44. CHILD WELFARE SERVICES SYSTEM REDESIGN.  
27 1 1. PURPOSE. The department of human services shall  
27 2 initiate a process for improving the outcomes for families in  
27 3 this state who become involved with the state system for child  
27 4 welfare and juvenile justice by implementing a system redesign  
27 5 to transition to an outcomes-based system for children  
27 6 identified in this section. The outcomes-based system shall  
27 7 be organized based upon the federal and state child welfare  
27 8 outcomes and expectations and shall address the following  
27 9 purposes for the children and families involved with the state  
27 10 system:  
27 11 a. Safety.  
27 12 (1) Children are, first and foremost, protected from abuse  
27 13 and neglect.  
27 14 (2) Children are safely maintained in the children's homes  
27 15 with family, whenever possible.  
27 16 b. Permanency.  
27 17 (1) Children have permanency and stability in the  
27 18 children's living situations.  
27 19 (2) The continuity of children's family relationships and  
27 20 community connections is preserved.  
27 21 c. Child and family well-being.  
27 22 (1) Family capacity to provide for the needs of the  
27 23 children who are part of the family is enhanced.  
27 24 (2) Children receive appropriate services to meet the  
27 25 children's educational needs.  
27 26 (3) Children receive additional services that are  
27 27 appropriate to meet the children's physical and mental health  
27 28 needs.  
27 29 (4) Youth who are becoming adults and leaving the service  
27 30 system for children will receive appropriate services to make  
27 31 the transition to become self-sufficient and contributing  
27 32 members of the community.  
27 33 d. Public safety. Communities are protected from juvenile  
27 34 crime.  
27 35 e. Accountability. Communities are made whole through  
28 1 completion of community service activities assigned to



28 2 juvenile offenders.

28 3 f. Rehabilitation. Youth receive appropriate services and

28 4 make measurable progress toward acquiring the skills that are

28 5 essential to law-abiding, productive citizens.

28 6 2. CHILDREN INVOLVED. The service system redesign shall

28 7 address the needs of children who are referred to the

28 8 department of human services or juvenile court services,

28 9 including but not limited to all of the following:

28 10 a. Children adjudicated as a child in need of assistance

28 11 under chapter 232.

28 12 b. Children adjudicated delinquent under chapter 232 or

28 13 alleged to have committed a delinquent act and identified in a

28 14 police report or other formal complaint received by juvenile

28 15 court services.

28 16 c. Children subject to emergency removal under chapter 232

28 17 or placed for emergency care under section 232.20 or 232.21.

28 18 d. Children identified through a child abuse assessment

28 19 conducted in accordance with section 232.71B as being at risk

28 20 of harm from maltreatment due to child abuse.

28 21 3. DESIGN PRINCIPLES. The service system redesign shall

28 22 incorporate all of the following design principles:

28 23 a. Outcomes can be achieved in the most efficient and

28 24 cost-effective manner possible.

28 25 b. The roles of public and private child welfare staff and

28 26 the state institutions in the redesigned system's delivery

28 27 model are clarified.

28 28 c. The financing structure maximizes state and federal

28 29 funding with as much flexibility as possible and directs funds

28 30 to services and other support based upon the needs of children

28 31 and families.

28 32 d. The methodology for purchasing performance outcomes

28 33 includes definitions of performance expectations,

28 34 reimbursement provisions, financial incentives, provider

28 35 flexibility provisions, and viable protection provisions for

29 1 children, the state, and providers.

29 2 e. The regulatory and contract monitoring approaches are

29 3 designed to assure effective oversight and quality and to

29 4 address federal program and budget accountability

29 5 expectations, with appropriate recognition of the need to

29 6 balance the impact upon service providers.

29 7 f. The administrative aspects address system planning and

29 8 support, data collection, management information systems,

29 9 training, policy development, and budgeting.

29 10 4. DESIGN CONSIDERATIONS. The service system redesign

29 11 shall address all of the following design considerations:

29 12 a. Successful outcome and performance-based system changes

29 13 made in other states and communities are incorporated.

29 14 b. Linkages are made with the existing community planning

29 15 efforts and partnerships are promoted with parents, the

29 16 courts, the department, and service providers. The redesign

29 17 shall build upon successful Iowa programs such as community

29 18 partnerships for protecting children, child welfare funding

29 19 decategorization projects, and quality service reviews.

29 20 c. Federal program and budget accountability expectations

29 21 are addressed.

29 22 d. Linkages with other critical service systems are

29 23 effectively incorporated, including but not limited to the

29 24 systems for mental health, domestic abuse, and substance abuse

29 25 services, and the judicial branch.

29 26 e. Options are considered for implementation of an acuity-

29 27 based, case rate system that offers bonuses or other

29 28 incentives for providers that achieve identified results and

29 29 for providers that are able to develop strategic and

29 30 collaborative relationships with other providers.

29 31 f. Policy options are developed to address the needs of

29 32 difficult-to-treat children, such as no-eject, no-reject time

29 33 periods.

29 34 g. Implementation of evidence-based and continuous

29 35 learning practices are promoted in the public and private

30 1 sectors in order to measure and improve outcomes.

30 2 5. REDESIGN PLANNING PROCESS. The department of human

30 3 services shall implement an inclusive process for the service

30 4 system redesign utilizing a stakeholder panel to involve a

30 5 broad spectrum of input into the redesign planning, design,

30 6 implementation, and evaluation process. The stakeholder panel

30 7 membership may include but is not limited to representation

30 8 from all of the following:

30 9 a. Service consumers.

30 10 b. Judicial branch and justice system.

30 11 c. Service providers.

30 12 d. Community-based collaboration efforts such as child

30 13 welfare decategorization projects and community partnership  
30 14 for child protection projects.  
30 15 e. Foster and adoptive parents.  
30 16 f. Advocacy groups.  
30 17 g. Departmental staff.  
30 18 h. Education and special education practitioners.  
30 19 i. Others.  
30 20 6. LEGISLATIVE MONITORING. A six-member legislative  
30 21 committee is established to monitor the service system  
30 22 redesign planning and implementation. The members shall be  
30 23 appointed as follows: two members by the senate majority  
30 24 leader, one member by the senate minority leader, two members  
30 25 by the speaker of the house of representatives, and one member  
30 26 by the minority leader of the house of representatives. The  
30 27 committee shall provide advice and consultation to the  
30 28 department and consider any legislative changes that may be  
30 29 needed for implementation.  
30 30 7. IMPLEMENTATION. The following implementation  
30 31 provisions apply to the service system redesign:  
30 32 a. Implementation of the redesign plan shall begin no  
30 33 later than January 1, 2004.  
30 34 b. The department of human services may adopt emergency  
30 35 rules under section 17A.4, subsection 2, and section 17A.5,  
31 1 subsection 2, paragraph "b", to implement the provisions of  
31 2 this section and the rules shall be effective immediately upon  
31 3 filing or on a later date specified in the rules, unless the  
31 4 effective date is delayed by the administrative rules review  
31 5 committee. Any rules adopted in accordance with this  
31 6 paragraph shall not take effect before the rules are reviewed  
31 7 by the administrative rules review committee. The delay  
31 8 authority provided to the administrative rules review  
31 9 committee under section 17A.4, subsection 5, and section  
31 10 17A.8, subsection 9, shall be applicable to a delay imposed  
31 11 under this paragraph, notwithstanding a provision in those  
31 12 sections making them inapplicable to section 17A.5, subsection  
31 13 2, paragraph "b". Any rules adopted in accordance with this  
31 14 paragraph shall also be published as a notice of intended  
31 15 action as provided in section 17A.4.  
31 16 c. The director of human services shall seek any federal  
31 17 waiver or federal plan amendment relating to funding provided  
31 18 under Title IV-B, IV-E, or XIX of the federal Social Security  
31 19 Act necessary to implement the service system redesign.  
31 20 8. STATUTORY REQUIREMENTS. The requirements of sections  
31 21 18.6 and 72.3 and the administrative rules implementing  
31 22 section 8.47 are not applicable to the services procurement  
31 23 process used to implement the outcomes-based service system  
31 24 redesign in accordance with this section. The department of  
31 25 human services may enter into competitive negotiations and  
31 26 proposal modifications with each successful contractor as  
31 27 necessary to implement the provisions of this section.  
31 28 9. APPROPRIATIONS REDUCTION. The appropriations made from  
31 29 the general fund of the state to the department of human  
31 30 services for the fiscal year beginning July 1, 2003, and  
31 31 ending June 30, 2004, in 2003 Iowa Acts, House File 667, if  
31 32 enacted, for services, staffing, and support related to the  
31 33 service system redesign are reduced by \$10,000,000. The  
31 34 governor shall apply the appropriations reductions on or  
31 35 before January 1, 2004, following consultation with the  
32 1 director of human services, the council on human services, and  
32 2 the legislative monitoring committee established pursuant to  
32 3 this section. The appropriations subject to reduction shall  
32 4 include but are not limited to the appropriations made for  
32 5 child and family services, field operations, medical  
32 6 assistance program, and general administration. The  
32 7 appropriations reductions applied by the governor shall be  
32 8 reported to the general assembly on the date the reductions  
32 9 are applied. If the judicial branch reports a revision to the  
32 10 judicial branch budget for juvenile court services making a  
32 11 reduction as a result of the service system redesign, the  
32 12 amount of the reductions applied by the governor shall be  
32 13 reduced by the same amount.  
32 14 Sec. 45. CHILD WELFARE SYSTEM REDESIGN. There is  
32 15 appropriated from the general fund of the state to the  
32 16 department of human services for the fiscal year beginning  
32 17 July 1, 2003, and ending June 30, 2004, the following amounts,  
32 18 or so much thereof as is necessary, to be used for the  
32 19 purposes designated:  
32 20 1. For training of service providers and departmental  
32 21 employees in performance contracting, new service roles, and  
32 22 other skills and information related to the redesign of the  
32 23 child welfare service system, and for the development of a

32 24 statewide information system for implementation of changes  
32 25 associated with the service system redesign:  
32 26 ..... \$ 1,200,000  
32 27 2. For deposit in a provider loan fund, which shall be  
32 28 created in the office of the treasurer of state under the  
32 29 authority of the department of human services, to be used to  
32 30 assist child welfare service providers with short-term cash  
32 31 flow needs:  
32 32 ..... \$ 1,000,000  
32 33 Moneys in the provider loan fund are appropriated to the  
32 34 department for use in accordance with this subsection. The  
32 35 department shall determine the length and interest rate for  
33 1 loans, if any. Loan repayment proceeds shall be credited to  
33 2 the provider loan fund and are appropriated to the department  
33 3 to be used for other loans.  
33 4 Sec. 46. Section 2C.9, Code 2003, is amended by adding the  
33 5 following new subsection:  
33 6 NEW SUBSECTION. 1A. Investigate, on complaint or on the  
33 7 citizens' aide's own motion, any administrative action of any  
33 8 person providing child welfare or juvenile justice services  
33 9 under contract with an agency that is subject to investigation  
33 10 by the citizens' aide. The person shall be considered to be  
33 11 an agency for purposes of the citizens' aide's investigation.  
33 12 DIVISION XVI  
33 13 DEPARTMENT OF HUMAN SERVICES REINVENTION  
33 14 Sec. 47. APPROPRIATIONS REDUCTION. The appropriations  
33 15 made from the general fund of the state for the fiscal year  
33 16 beginning July 1, 2003, and ending June 30, 2004, to the  
33 17 department of human services in 2003 Iowa Acts, House File  
33 18 667, if enacted, are reduced by \$300,000 to reflect the  
33 19 anticipated savings from the electronic payment of benefits  
33 20 and billings implemented pursuant to this division of this  
33 21 Act. The governor shall apply the appropriations reductions  
33 22 on or before January 1, 2004, following consultation with the  
33 23 director of human services and the council on human services.  
33 24 The appropriations reductions applied by the governor shall be  
33 25 reported to the general assembly on the date the reductions  
33 26 are applied.  
33 27 Sec. 48. SYSTEM EFFICIENCIES == ELECTRONIC BILLING AND  
33 28 PAYMENT == COMPATIBILITY == COMMUNICATIONS.  
33 29 1. The department of human services shall develop a plan  
33 30 to provide all provider payments under the medical assistance  
33 31 program on an electronic basis by June 30, 2005.  
33 32 2. The department of human services shall submit a plan to  
33 33 implement an electronic billing and payment system for child  
33 34 care providers to the governor and the general assembly by  
33 35 January 1, 2004.  
34 1 3. In developing any billing, payment, or eligibility  
34 2 systems, the department of human services shall ensure that  
34 3 the systems are compatible.  
34 4 4. The department of human services shall investigate  
34 5 measures to increase effective and efficient communications  
34 6 with clients, including but not limited to reducing  
34 7 duplicative mailings, and shall submit a report of  
34 8 recommendations to the governor and the general assembly by  
34 9 January 1, 2004.  
34 10 Sec. 49. MEDICAL ASSISTANCE PROGRAM REDESIGN.  
34 11 1. The department of human services shall establish a work  
34 12 group in cooperation with representatives of the insurance  
34 13 industry to develop a plan for the redesign of the medical  
34 14 assistance program. In developing the redesign plan, the work  
34 15 group shall consider all of the following:  
34 16 a. Iowa's medical assistance program cannot be sustained  
34 17 in a manner that provides care for participants at the current  
34 18 rate of growth.  
34 19 b. Iowans deserve a health care safety net that provides  
34 20 health care that is timely, effective, and responsive to  
34 21 individual needs.  
34 22 c. Iowans would be better served, at a lower cost to  
34 23 taxpayers, if persons who are at risk of becoming medical  
34 24 assistance recipients due to their income, health, and  
34 25 insurance status could be identified and insured.  
34 26 d. Iowa's children and families would benefit from the use  
34 27 of a medical home model that links children and families to an  
34 28 ongoing source of medical care that ensures access to and  
34 29 appropriate utilization of medical services including  
34 30 preventive services.  
34 31 e. Iowa's senior population should have more options  
34 32 available to address the population's health care needs  
34 33 including home and community-based services and assisted  
34 34 living.

34 35 2. The redesign plan shall include measures such as  
35 1 providing state funding for health care spending accounts for  
35 2 families in the medical assistance program in order to provide  
35 3 incentives for effective health care cost management,  
35 4 providing an insurance-like benefit package for those  
35 5 individuals with extensive medical needs that emphasizes  
35 6 flexible and preventive care through case management, moving  
35 7 to an acuity-based reimbursement system for dually eligible  
35 8 seniors, and developing an evidence-based pharmaceutical  
35 9 program.

35 10 3. The department shall submit a progress report of the  
35 11 work group's recommendations for medical assistance program  
35 12 redesign to the governor and the general assembly by January  
35 13 15, 2004.

35 14 Sec. 50. MEDICAL ASSISTANCE APPROPRIATION REDUCTION. The  
35 15 appropriation made from the general fund of the state for the  
35 16 fiscal year beginning July 1, 2003, and ending June 30, 2004,  
35 17 to the department of human services in 2003 Iowa Acts, House  
35 18 File 667, if enacted, for medical assistance is reduced by  
35 19 \$7,500,000.

35 20 Sec. 51. HOSPITAL TRUST FUND == MEDICAL ASSISTANCE  
35 21 SUPPLEMENT.

35 22 1. Notwithstanding 2002 Iowa Acts, chapter 1003, Second  
35 23 Extraordinary Session, sections 150 and 151, as the sections  
35 24 relate to the hospital trust fund, moneys shall not be  
35 25 transferred from the hospital trust fund at the end of the  
35 26 fiscal year beginning July 1, 2003.

35 27 2. There is appropriated from the hospital trust fund to  
35 28 the department of human services for the fiscal year beginning  
35 29 July 1, 2003, and ending June 30, 2004, the following amount,  
35 30 or so much thereof as is necessary to be used for the purposes  
35 31 designated:

35 32 To supplement the medical assistance appropriation made in  
35 33 2003 Iowa Acts, House File 667, if enacted:

35 34 ..... \$ 14,000,000

35 35 The appropriation made in this subsection shall include  
36 1 moneys in the hospital trust fund that remain unencumbered or  
36 2 unobligated at the end of the fiscal year beginning July 1,  
36 3 2002, and ending June 30, 2003.

36 4 Sec. 52. IOWA JUVENILE HOME. The appropriation made from  
36 5 the general fund of the state for the fiscal year beginning  
36 6 July 1, 2003, and ending June 30, 2004, to the department of  
36 7 human services in 2003 Iowa Acts, House File 667, if enacted,  
36 8 for the Iowa juvenile home at Toledo, is reduced by \$410,540.

36 9 Sec. 53. STATE TRAINING SCHOOL. The appropriation made  
36 10 from the general fund of the state for the fiscal year  
36 11 beginning July 1, 2003, and ending June 30, 2004, to the  
36 12 department of human services in 2003 Iowa Acts, House File  
36 13 667, if enacted, for the state training school at Eldora is  
36 14 reduced by \$1,239,227.

36 15 Sec. 54. INDEPENDENCE MHI. The appropriation made from  
36 16 the general fund of the state for the fiscal year beginning  
36 17 July 1, 2003, and ending June 30, 2004, to the department of  
36 18 human services in 2003 Iowa Acts, House File 667, if enacted,  
36 19 for the state mental health institute at Independence, is  
36 20 reduced by \$544,192.

36 21 Sec. 55. NEW SECTION. 249A.32 PHARMACEUTICAL SETTLEMENT  
36 22 ACCOUNT == MEDICAL ASSISTANCE PROGRAM.

36 23 1. A pharmaceutical settlement account is created in the  
36 24 state treasury under the authority of the department of human  
36 25 services. Moneys received from settlements relating to  
36 26 provision of pharmaceuticals under the medical assistance  
36 27 program shall be deposited in the account.

36 28 2. Moneys in the account shall be used only as provided in  
36 29 appropriations from the account to the department for the  
36 30 purpose of technology upgrades under the medical assistance  
36 31 program.

36 32 3. The account shall be separate from the general fund of  
36 33 the state and shall not be considered part of the general fund  
36 34 of the state. The moneys in the account shall not be  
36 35 considered revenue of the state, but rather shall be funds of  
37 1 the account. The moneys in the account are not subject to  
37 2 reversion to the general fund of the state under section 8.33  
37 3 and shall not be transferred, used, obligated, appropriated,  
37 4 or otherwise encumbered, except to provide for the purposes of  
37 5 this section. Notwithstanding section 12C.7, subsection 2,  
37 6 interest or earnings on moneys deposited in the account shall  
37 7 be credited to the account.

37 8 4. The treasurer of state shall provide a quarterly report  
37 9 of account activities and balances to the director.

37 10 Sec. 56. Section 256.7, subsection 10, Code 2003, is



37 11 amended to read as follows:

37 12 10. Adopt rules pursuant to chapter 17A relating to  
37 13 educational programs and budget limitations for educational  
37 14 programs pursuant to sections ~~282.28~~, 282.29, 282.30, and  
37 15 282.31, and 282.33.

37 16 Sec. 57. Section 282.32, Code 2003, is amended to read as  
37 17 follows:

37 18 282.32 APPEAL.

37 19 An area education agency or local school district may  
37 20 appeal a decision made pursuant to section ~~282.28~~ or 282.31 to  
37 21 the state board of education. The decision of the state board  
37 22 is final.

37 23 Sec. 58. NEW SECTION. 282.33 FUNDING FOR CHILDREN  
37 24 RESIDING IN STATE MENTAL HEALTH INSTITUTES OR INSTITUTIONS.

37 25 1. A child who resides in an institution for children  
37 26 under the jurisdiction of the director of human services  
37 27 referred to in section 218.1, subsection 3, 5, 7, or 8, and  
37 28 who is not enrolled in the educational program of the district  
37 29 of residence of the child, shall receive appropriate  
37 30 educational services. The institution in which the child  
37 31 resides shall submit a proposed program and budget based on  
37 32 the average daily attendance of the children residing in the  
37 33 institution to the department of education and the department  
37 34 of human services by January 1 for the next succeeding school  
37 35 year. The department of education shall review and approve or  
38 1 modify the proposed program and budget and shall notify the  
38 2 department of revenue and finance of its action by February 1.  
38 3 The department of revenue and finance shall pay the approved  
38 4 budget amount to the department of human services in monthly  
38 5 installments beginning September 15 and ending June 15 of the  
38 6 next succeeding school year. The installments shall be as  
38 7 nearly equal as possible as determined by the department of  
38 8 revenue and finance, taking into consideration the relative  
38 9 budget and cash position of the state's resources. The  
38 10 department of revenue and finance shall pay the approved  
38 11 budget amount for the department of human services from the  
38 12 moneys appropriated under section 257.16 and the department of  
38 13 human services shall distribute the payment to the  
38 14 institution. The institution shall submit an accounting for  
38 15 the actual cost of the program to the department of education  
38 16 by August 1 of the following school year. The department  
38 17 shall review and approve or modify all expenditures incurred  
38 18 in compliance with the guidelines adopted pursuant to section  
38 19 256.7, subsection 10, and shall notify the department of  
38 20 revenue and finance of the approved accounting amount. The  
38 21 approved accounting amount shall be compared with any amounts  
38 22 paid by the department of revenue and finance to the  
38 23 department of human services and any differences added to or  
38 24 subtracted from the October payment made under this subsection  
38 25 for the next school year. Any amount paid by the department  
38 26 of revenue and finance shall be deducted monthly from the  
38 27 state foundation aid paid under section 257.16 to all school  
38 28 districts in the state during the subsequent fiscal year. The  
38 29 portion of the total amount of the approved budget that shall  
38 30 be deducted from the state aid of a school district shall be  
38 31 the same as the ratio that the budget enrollment for the  
38 32 budget year of the school district bears to the total budget  
38 33 enrollment in the state for that budget year in which the  
38 34 deduction is made.

38 35 2. Programs may be provided during the summer and funded  
39 1 under this section if the institution determines a valid  
39 2 educational reason to do so and the department of education  
39 3 approves the program in the manner provided in subsection 1.

39 4 Sec. 59. Section 282.28, Code 2003, is repealed.

39 5 Sec. 60. FY 2003=2004 FUNDING. For purposes of providing  
39 6 funding for educational programs provided to children residing  
39 7 in an institution for children under the jurisdiction of the  
39 8 director of human services referred to in section 218.1,  
39 9 subsection 3, 5, 7, or 8, the institution providing such  
39 10 programs to children residing in the institution shall submit  
39 11 an estimated proposed program and budget based on the  
39 12 estimated average daily attendance of children who will likely  
39 13 be provided educational programs during the fiscal year  
39 14 beginning July 1, 2003, and ending June 30, 2004, to the  
39 15 department of education and the department of human services  
39 16 by August 1, 2003. The budget for the institutions referred  
39 17 to in section 218.1, subsections 7 and 8, shall include funds  
39 18 to access services from the area education agency in the  
39 19 manner in which the services were accessed from the area  
39 20 education agency in the fiscal year beginning July 1, 2002.  
39 21 The department of education shall review and approve or modify

39 22 the proposed program and budget and shall notify the  
39 23 department of revenue and finance of its action by September  
39 24 1, 2003. The department of revenue and finance shall pay the  
39 25 approved budget amount, and the department of human services  
39 26 shall distribute payments, as provided in section 282.33.  
39 27 Sec. 61. EFFECTIVE DATE. The section of this division of  
39 28 this Act relating to appropriation of moneys in the hospital  
39 29 trust fund, being deemed of immediate importance, takes effect  
39 30 upon enactment.

39 31 DIVISION XVII

39 32 REINVENTION INVESTMENT

39 33 Sec. 62. DEPARTMENT OF MANAGEMENT. There is appropriated  
39 34 from the general fund of the state to the department of  
39 35 management for the fiscal year beginning July 1, 2003, and  
40 1 ending June 30, 2004, the following amount, or so much thereof  
40 2 as is necessary, to be used for the purpose designated:  
40 3 For investment in reinvention initiatives intended to  
40 4 produce ongoing savings, in addition to funds appropriated for  
40 5 this purpose in 2003 Iowa Acts, House File 655, section 11,  
40 6 subsection 3, if enacted:

40 7  
40 8 ..... \$ 1,350,000

40 9 DIVISION XVIII

40 10 IOWA LOTTERY AUTHORITY

40 11 Sec. 63. NEW SECTION. 99G.1 TITLE.

40 12 This chapter may be cited as the "Iowa Lottery Authority  
40 13 Act".

40 14 Sec. 64. NEW SECTION. 99G.2 STATEMENT OF PURPOSE AND  
40 15 INTENT.

40 16 The general assembly finds and declares the following:

40 17 1. That net proceeds of lottery games conducted pursuant  
40 18 to this chapter should be transferred to the general fund of  
40 19 the state in support of a variety of programs and services.

40 20 2. That lottery games are an entrepreneurial enterprise  
40 21 and that the state should create a public instrumentality of  
40 22 the state in the form of a nonprofit authority known as the  
40 23 Iowa lottery authority with comprehensive and extensive powers  
40 24 to operate a state lottery in an entrepreneurial and  
40 25 businesslike manner and which is accountable to the governor,  
40 26 the general assembly, and the people of the state through a  
40 27 system of audits, reports, legislative oversight, and thorough  
40 28 financial disclosure as required by this chapter.

40 29 3. That lottery games shall be operated and managed in a  
40 30 manner that provides continuing entertainment to the public,  
40 31 maximizes revenues, and ensures that the lottery is operated  
40 32 with integrity and dignity and free from political influence.

40 33 Sec. 65. NEW SECTION. 99G.3 DEFINITIONS.

40 34 As used in this chapter, unless the context clearly  
40 35 requires otherwise:

41 1 1. "Administrative expenses" includes, but is not limited  
41 2 to, personnel costs, travel, purchase of equipment and all  
41 3 other expenses not directly associated with the operation or  
41 4 sale of a game.

41 5 2. "Authority" means the Iowa lottery authority.

41 6 3. "Board" means the board of directors of the authority.

41 7 4. "Chief executive officer" means the chief executive  
41 8 officer of the authority.

41 9 5. "Game specific rules" means rules governing the  
41 10 particular features of specific games, including, but not  
41 11 limited to, setting the name, ticket price, prize structure,  
41 12 and prize claim period of the game.

41 13 6. "Instant lottery" or "instant ticket" means a game that  
41 14 offers preprinted tickets such that when a protective coating  
41 15 is scratched or scraped away, it indicates immediately whether  
41 16 the player has won.

41 17 7. "Lottery", "lotteries", "lottery game", "lottery games"  
41 18 or "lottery products" means any game of chance approved by the  
41 19 board and operated pursuant to this chapter and games using  
41 20 mechanical or electronic devices, provided that the authority  
41 21 shall not authorize a player-activated gaming machine that  
41 22 utilizes an internal randomizer to determine winning and  
41 23 nonwinning plays and that upon random internal selection of a  
41 24 winning play dispenses coins, currency, or a ticket, credit,  
41 25 or token to the player that is redeemable for cash or a prize,  
41 26 and excluding gambling or gaming conducted pursuant to chapter  
41 27 99B, 99D, or 99F.

41 28 8. "Major procurement contract" means a consulting  
41 29 agreement or a contract with a business organization for the  
41 30 printing of tickets or the purchase or lease of equipment or  
41 31 services essential to the operation of a lottery game.

41 32 9. "Net proceeds" means all revenue derived from the sale

41 33 of lottery tickets or shares and all other moneys derived from  
41 34 the lottery, less operating expenses.

41 35 10. "On-line lotto" means a lottery game connected to a  
42 1 central computer via telecommunications in which the player  
42 2 selects a specified group of numbers, symbols, or characters  
42 3 out of a predetermined range.

42 4 11. "Operating expenses" means all costs of doing  
42 5 business, including, but not limited to, prizes and associated  
42 6 prize reserves, computerized gaming system vendor expense,  
42 7 instant and pull-tab ticket expense, and other expenses  
42 8 directly associated with the operation or sale of any game,  
42 9 compensation paid to retailers, advertising and marketing  
42 10 costs, and administrative expenses.

42 11 12. "Pull-tab ticket" or "pull-tab" means a game that  
42 12 offers preprinted paper tickets with the play data hidden  
42 13 beneath a protective tab or seal that when opened reveals  
42 14 immediately whether the player has won.

42 15 13. "Retailer" means a person, licensed by the authority,  
42 16 who sells lottery tickets or shares on behalf of the authority  
42 17 pursuant to a contract.

42 18 14. "Share" means any intangible evidence of participation  
42 19 in a lottery game.

42 20 15. "Ticket" means any tangible evidence issued by the  
42 21 lottery to provide participation in a lottery game.

42 22 16. "Vendor" means a person who provides or proposes to  
42 23 provide goods or services to the authority pursuant to a major  
42 24 procurement contract, but does not include an employee of the  
42 25 authority, a retailer, or a state agency or instrumentality  
42 26 thereof.

42 27 Sec. 66. NEW SECTION. 99G.4 IOWA LOTTERY AUTHORITY  
42 28 CREATED.

42 29 1. An Iowa lottery authority is created, effective  
42 30 September 1, 2003, which shall administer the state lottery.  
42 31 The authority shall be deemed to be a public authority and an  
42 32 instrumentality of the state, and not a state agency.  
42 33 However, the authority shall be considered a state agency for  
42 34 purposes of chapters 17A, 21, 22, 28E, 68B, 91B, 97B, 509A,  
42 35 and 669.

43 1 2. The income and property of the authority shall be  
43 2 exempt from all state and local taxes, and the sale of lottery  
43 3 tickets and shares issued and sold by the authority and its  
43 4 retail licensees shall be exempt from all state and local  
43 5 sales taxes.

43 6 Sec. 67. NEW SECTION. 99G.5 CHIEF EXECUTIVE OFFICER.

43 7 The chief executive officer of the authority shall be  
43 8 appointed by the governor subject to confirmation by the  
43 9 senate and shall serve a four-year term of office beginning  
43 10 and ending as provided in section 69.19. The chief executive  
43 11 officer shall be qualified by training and experience to  
43 12 manage a lottery. The governor may remove the chief executive  
43 13 officer for malfeasance in office, or for any cause that  
43 14 renders the chief executive officer ineligible, incapable, or  
43 15 unfit to discharge the duties of the office. Compensation and  
43 16 employment terms of the chief executive officer shall be set  
43 17 by the governor, taking into consideration the officer's level  
43 18 of education and experience, as well as the success of the  
43 19 lottery. The chief executive officer shall be an employee of  
43 20 the authority and shall direct the day-to-day operations and  
43 21 management of the authority and be vested with such powers and  
43 22 duties as specified by the board and by law.

43 23 Sec. 68. NEW SECTION. 99G.6 POWER TO ADMINISTER OATHS  
43 24 AND TAKE TESTIMONY == SUBPOENA.

43 25 The chief executive officer or the chief executive  
43 26 officer's designee if authorized to conduct an inquiry,  
43 27 investigation, or hearing under this chapter may administer  
43 28 oaths and take testimony under oath relative to the matter of  
43 29 inquiry, investigation, or hearing. At a hearing ordered by  
43 30 the chief executive officer, the chief executive officer or  
43 31 the designee may subpoena witnesses and require the production  
43 32 of records, paper, or documents pertinent to the hearing.

43 33 Sec. 69. NEW SECTION. 99G.7 DUTIES OF THE CHIEF  
43 34 EXECUTIVE OFFICER.

43 35 1. The chief executive officer of the authority shall  
44 1 direct and supervise all administrative and technical  
44 2 activities in accordance with the provisions of this chapter  
44 3 and with the administrative rules, policies, and procedures  
44 4 adopted by the board. The chief executive officer shall do  
44 5 all of the following:

44 6 a. Facilitate the initiation and supervise and administer  
44 7 the operation of the lottery games.

44 8 b. Employ an executive vice president, who shall act as

44 9 chief executive officer in the absence of the chief executive  
44 10 officer, and employ and direct other such personnel as deemed  
44 11 necessary.  
44 12 c. Contract with and compensate such persons and firms as  
44 13 deemed necessary for the operation of the lottery.  
44 14 d. Promote or provide for promotion of the lottery and any  
44 15 functions related to the authority.  
44 16 e. Prepare a budget for the approval of the board.  
44 17 f. Require bond from such retailers and vendors in such  
44 18 amounts as required by the board.  
44 19 g. Report semiannually to the legislative government  
44 20 oversight committees regarding the operations of the  
44 21 authority.  
44 22 h. Report quarterly and annually to the board, the  
44 23 governor, the auditor of state, and the general assembly a  
44 24 full and complete statement of lottery revenues and expenses  
44 25 for the preceding quarter, and with respect to the annual  
44 26 report, for the preceding year and transfer proceeds to the  
44 27 general fund within thirty days following the end of the  
44 28 quarter.

44 29 i. Perform other duties generally associated with a chief  
44 30 executive officer of an authority of an entrepreneurial  
44 31 nature.

44 32 2. The chief executive officer shall conduct an ongoing  
44 33 study of the operation and administration of lottery laws  
44 34 similar to this chapter in other states or countries, of  
44 35 available literature on the subject, of federal laws and  
45 1 regulations which may affect the operation of the lottery and  
45 2 of the reaction of citizens of this state to existing or  
45 3 proposed features of lottery games with a view toward  
45 4 implementing improvements that will tend to serve the purposes  
45 5 of this chapter.

45 6 3. The chief executive officer may for good cause suspend,  
45 7 revoke, or refuse to renew any contract entered into in  
45 8 accordance with the provisions of this chapter or the  
45 9 administrative rules, policies, and procedures of the board.

45 10 4. The chief executive officer or the chief executive  
45 11 officer's designee may conduct hearings and administer oaths  
45 12 to persons for the purpose of assuring the security or  
45 13 integrity of lottery operations or to determine the  
45 14 qualifications of or compliance by vendors and retailers.

45 15 Sec. 70. NEW SECTION. 99G.8 BOARD OF DIRECTORS.

45 16 1. The authority shall be administered by a board of  
45 17 directors comprised of five members appointed by the governor  
45 18 subject to confirmation by the senate. Board members  
45 19 appointed when the senate is not in session shall serve only  
45 20 until the end of the next regular session of the general  
45 21 assembly, unless confirmed by the senate.

45 22 2. Board members shall serve staggered terms of four years  
45 23 beginning and ending as provided in section 69.19. No more  
45 24 than three board members shall be from the same political  
45 25 party.

45 26 3. Board members may be removed by the governor for  
45 27 neglect of duty, misfeasance, or nonfeasance in office.

45 28 4. No officer or employee of the authority shall be a  
45 29 member of the board.

45 30 5. Board members shall be residents of the state of Iowa,  
45 31 shall be prominent persons in their respective businesses or  
45 32 professions, and shall not have been convicted of any felony  
45 33 offense. Of the members appointed, the governor shall appoint  
45 34 to the board an attorney admitted to the practice of law in  
45 35 Iowa, an accountant, a person who is or has been a law  
46 1 enforcement officer, and a person having expertise in  
46 2 marketing.

46 3 6. A majority of members in office shall constitute a  
46 4 quorum for the transaction of any business and for the  
46 5 exercise of any power or function of the authority.

46 6 7. Action may be taken and motions and resolutions adopted  
46 7 by the board at any meeting thereof by the affirmative vote of  
46 8 a majority of present and voting board members.

46 9 8. No vacancy in the membership of the board shall impair  
46 10 the right of the members to exercise all the powers and  
46 11 perform all the duties of the board.

46 12 9. Board members shall be considered to hold public office  
46 13 and shall give bond as such as required in chapter 64.

46 14 10. Board members shall be entitled to receive a per diem  
46 15 as specified in section 7E.6 for each day spent in performance  
46 16 of duties as members, and shall be reimbursed for all actual  
46 17 and necessary expenses incurred in the performance of their  
46 18 official duties as members. No person who serves as a member  
46 19 of the board shall by reason of such membership be eligible



46 20 for membership in the Iowa public employees' retirement system  
46 21 and service on the board shall not be eligible for service  
46 22 credit for any public retirement system.  
46 23 11. The board shall meet at least quarterly and at such  
46 24 other times upon call of the chairperson or the president.  
46 25 Notice of the time and place of each board meeting shall be  
46 26 given to each member. The board shall also meet upon call of  
46 27 three or more of the board members. The board shall keep  
46 28 accurate and complete records of all its meetings.  
46 29 12. Meetings of the board shall be governed by the  
46 30 provisions of chapter 21.  
46 31 13. Board members shall not have any direct or indirect  
46 32 interest in an undertaking that puts their personal interest  
46 33 in conflict with that of the authority, including, but not  
46 34 limited to, an interest in a major procurement contract or a  
46 35 participating retailer.  
47 1 14. The members shall elect from their membership a  
47 2 chairperson and vice chairperson.  
47 3 15. The board of directors may delegate to the chief  
47 4 executive officer of the authority such powers and duties as  
47 5 it may deem proper to the extent such delegation is not  
47 6 inconsistent with the Constitution of this state.  
47 7 Sec. 71. NEW SECTION. 99G.9 BOARD DUTIES.  
47 8 The board shall provide the chief executive officer with  
47 9 private-sector perspectives of a large marketing enterprise.  
47 10 The board shall do all of the following:  
47 11 1. Approve, disapprove, amend, or modify the budget  
47 12 recommended by the chief executive officer for the operation  
47 13 of the authority.  
47 14 2. Approve, disapprove, amend, or modify the terms of  
47 15 major lottery procurements recommended by the chief executive  
47 16 officer.  
47 17 3. Adopt policies and procedures and promulgate  
47 18 administrative rules pursuant to chapter 17A relating to the  
47 19 management and operation of the authority. The administrative  
47 20 rules promulgated pursuant to this subsection may include but  
47 21 shall not be limited to the following:  
47 22 a. The type of games to be conducted.  
47 23 b. The sale price of tickets or shares and the manner of  
47 24 sale, including but not limited to authorization of sale of  
47 25 tickets or shares at a discount for marketing purposes,  
47 26 provided, however, that a retailer may accept payment by cash,  
47 27 check, money order, debit card, or electronic funds transfer  
47 28 and shall not extend or arrange credit for the purchase of a  
47 29 ticket or share. As used in this section, "cash" means United  
47 30 States currency.  
47 31 c. The number and amount of prizes, including but not  
47 32 limited to prizes of free tickets or shares in lottery games  
47 33 conducted by the authority and merchandise prizes. The  
47 34 authority shall maintain and make available for public  
47 35 inspection at its offices during regular business hours a  
48 1 detailed listing of the estimated number of prizes of each  
48 2 particular denomination that are expected to be awarded in any  
48 3 game that is on sale or the estimated odds of winning the  
48 4 prizes and, after the end of the claim period, shall maintain  
48 5 and make available a listing of the total number of tickets or  
48 6 shares sold in a game and the number of prizes of each  
48 7 denomination that were awarded.  
48 8 d. The method and location of selecting or validating  
48 9 winning tickets or shares.  
48 10 e. The manner and time of payment of prizes, which may  
48 11 include lump-sum payments or installments over a period of  
48 12 years.  
48 13 f. The manner of payment of prizes to the holders of  
48 14 winning tickets or shares after performing validation  
48 15 procedures appropriate to the game and as specified by the  
48 16 board.  
48 17 g. The frequency of games and drawings or selection of  
48 18 winning tickets or shares.  
48 19 h. The means of conducting drawings, provided that  
48 20 drawings shall be open to the public and witnessed by an  
48 21 independent certified public accountant. Equipment used to  
48 22 select winning tickets or shares or participants for prizes  
48 23 shall be examined by an independent certified public  
48 24 accountant prior to and after each drawing.  
48 25 i. The manner and amount of compensation to lottery  
48 26 retailers.  
48 27 j. The engagement and compensation of audit services.  
48 28 k. Any and all other matters necessary, desirable, or  
48 29 convenient toward ensuring the efficient and effective  
48 30 operation of lottery games, the continued entertainment and

48 31 convenience of the public, and the integrity of the lottery.  
48 32 4. Adopt game specific rules. The promulgation of game  
48 33 specific rules shall not be subject to the requirements of  
48 34 chapter 17A. However, game specific rules shall be made  
48 35 available to the public prior to the time the games go on sale  
49 1 and shall be kept on file at the office of the authority.  
49 2 5. Perform such other functions as specified by this  
49 3 chapter.

49 4 Sec. 72. NEW SECTION. 99G.10 AUTHORITY PERSONNEL.  
49 5 1. All employees of the authority shall be considered  
49 6 public employees.  
49 7 2. Subject to the approval of the board, the chief  
49 8 executive officer shall have the sole power to designate  
49 9 particular employees as key personnel, but may take advice  
49 10 from the department of personnel in making any such  
49 11 designations. All key personnel shall be exempt from the  
49 12 merit system described in chapter 19A. The chief executive  
49 13 officer and the board shall have the sole power to employ,  
49 14 classify, and fix the compensation of key personnel. All  
49 15 other employees shall be employed, classified, and compensated  
49 16 in accordance with chapters 19A and 20.  
49 17 3. The chief executive officer and the board shall have  
49 18 the exclusive power to determine the number of full-time  
49 19 equivalent positions, as defined in chapter 8, necessary to  
49 20 carry out the provisions of this chapter.  
49 21 4. The chief executive officer shall have the sole  
49 22 responsibility to assign duties to all authority employees.  
49 23 5. The authority may establish incentive programs for  
49 24 authority employees.  
49 25 6. An employee of the authority shall not have a financial  
49 26 interest in any vendor doing business or proposing to do  
49 27 business with the authority. However, an employee may own  
49 28 shares of a mutual fund which may hold shares of a vendor  
49 29 corporation provided the employee does not have the ability to  
49 30 influence the investment functions of the mutual fund.  
49 31 7. An employee of the authority with decision-making  
49 32 authority shall not participate in any decision involving a  
49 33 retailer with whom the employee has a financial interest.  
49 34 8. A background investigation shall be conducted by the  
49 35 department of public safety, division of criminal  
50 1 investigation, on each applicant who has reached the final  
50 2 selection process prior to employment by the authority. For  
50 3 positions not designated as sensitive by the board, the  
50 4 investigation may consist of a state criminal history  
50 5 background check, work history, and financial review. The  
50 6 board shall identify those sensitive positions of the  
50 7 authority which require full background investigations, which  
50 8 positions shall include, at a minimum, any officer of the  
50 9 authority, and any employee with operational management  
50 10 responsibilities, security duties, or system maintenance or  
50 11 programming responsibilities related to the authority's data  
50 12 processing or network hardware, software, communication, or  
50 13 related systems. In addition to a work history and financial  
50 14 review, a full background investigation may include a national  
50 15 criminal history record check through the federal bureau of  
50 16 investigation. The screening of employees through the federal  
50 17 bureau of investigation shall be conducted by submission of  
50 18 fingerprints through the state criminal history record  
50 19 repository to the federal bureau of investigation. The  
50 20 results of background investigations conducted pursuant to  
50 21 this section shall not be considered public records under  
50 22 chapter 22.  
50 23 9. A person who has been convicted of a felony or  
50 24 bookmaking or other form of illegal gambling or of a crime  
50 25 involving moral turpitude shall not be employed by the  
50 26 authority.  
50 27 10. The authority shall bond authority employees with  
50 28 access to authority funds or lottery revenue in such an amount  
50 29 as provided by the board and may bond other employees as  
50 30 deemed necessary.

50 31 Sec. 73. NEW SECTION. 99G.11 CONFLICTS OF INTEREST.  
50 32 1. A member of the board, any officer, or other employee  
50 33 of the authority shall not directly or indirectly,  
50 34 individually, as a member of a partnership or other  
50 35 association, or as a shareholder, director, or officer of a  
51 1 corporation have an interest in a business that contracts for  
51 2 the operation or marketing of the lottery as authorized by  
51 3 this chapter, unless the business is controlled or operated by  
51 4 a consortium of lotteries in which the authority has an  
51 5 interest.  
51 6 2. Notwithstanding the provisions of chapter 68B, a person

51 7 contracting or seeking to contract with the state to supply  
51 8 gaming equipment or materials for use in the operation of the  
51 9 lottery, an applicant for a license to sell tickets or shares  
51 10 in the lottery, or a retailer shall not offer a member of the  
51 11 board, any officer, or other employee of the authority, or a  
51 12 member of their immediate family a gift, gratuity, or other  
51 13 thing having a value of more than the limits established in  
51 14 chapter 68B, other than food and beverage consumed at a meal.  
51 15 For purposes of this subsection, "member of their immediate  
51 16 family" means a spouse, child, stepchild, brother, brother-in-  
51 17 law, stepbrother, sister, sister-in-law, stepsister, parent,  
51 18 parent-in-law, or step-parent of the board member, the  
51 19 officer, or other employee who resides in the same household  
51 20 in the same principal residence of the board member, officer,  
51 21 or other employee.

51 22 3. If a board member, officer, or other employee of the  
51 23 authority violates a provision of this section, the board  
51 24 member, officer, or employee shall be immediately removed from  
51 25 the office or position.

51 26 4. Enforcement of this section against a board member,  
51 27 officer, or other employee shall be by the attorney general  
51 28 who upon finding a violation shall initiate an action to  
51 29 remove the board member, officer, or employee.

51 30 5. A violation of this section is a serious misdemeanor.

51 31 Sec. 74. NEW SECTION. 99G.21 AUTHORITY POWERS, TRANSFER  
51 32 OF ASSETS, LIABILITIES, AND OBLIGATIONS.

51 33 1. Funds of the state shall not be used or obligated to  
51 34 pay the expenses or prizes of the authority.

51 35 2. The authority shall have any and all powers necessary  
52 1 or convenient to carry out and effectuate the purposes and  
52 2 provisions of this chapter which are not in conflict with the  
52 3 Constitution of this state, including, but without limiting  
52 4 the generality of the foregoing, the following powers:

52 5 a. To sue and be sued and to complain and defend in all  
52 6 courts.

52 7 b. To adopt and alter a seal.

52 8 c. To procure or to provide insurance.

52 9 d. To hold copyrights, trademarks, and service marks and  
52 10 enforce its rights with respect thereto.

52 11 e. To initiate, supervise, and administer the operation of  
52 12 the lottery in accordance with the provisions of this chapter  
52 13 and administrative rules, policies, and procedures adopted  
52 14 pursuant thereto.

52 15 f. To enter into written agreements with one or more other  
52 16 states or territories of the United States, or one or more  
52 17 political subdivisions of another state or territory of the  
52 18 United States, or any entity lawfully operating a lottery  
52 19 outside the United States for the operation, marketing, and  
52 20 promotion of a joint lottery or joint lottery game. For the  
52 21 purposes of this subsection, any lottery with which the  
52 22 authority reaches an agreement or compact shall meet the  
52 23 criteria for security, integrity, and finance set by the  
52 24 board.

52 25 g. To conduct such market research as is necessary or  
52 26 appropriate, which may include an analysis of the demographic  
52 27 characteristics of the players of each lottery game, and an  
52 28 analysis of advertising, promotion, public relations,  
52 29 incentives, and other aspects of communication.

52 30 h. Subject to the provisions of subsection 3, to acquire  
52 31 or lease real property and make improvements thereon and  
52 32 acquire by lease or by purchase, personal property, including,  
52 33 but not limited to, computers; mechanical, electronic, and on-  
52 34 line equipment and terminals; and intangible property,  
52 35 including, but not limited to, computer programs, systems, and  
53 1 software.

53 2 i. Subject to the provisions of subsection 3, to enter  
53 3 into contracts to incur debt in its own name and enter into  
53 4 financing agreements with the state, agencies or  
53 5 instrumentalities of the state, or with any commercial bank or  
53 6 credit provider.

53 7 j. To select and contract with vendors and retailers.

53 8 k. To enter into contracts or agreements with state or  
53 9 local law enforcement agencies for the performance of law  
53 10 enforcement, background investigations, and security checks.

53 11 l. To enter into contracts of any and all types on such  
53 12 terms and conditions as the authority may determine necessary.

53 13 m. To establish and maintain banking relationships,  
53 14 including, but not limited to, establishment of checking and  
53 15 savings accounts and lines of credit.

53 16 n. To advertise and promote the lottery and lottery games.

53 17 o. To act as a retailer, to conduct promotions which

53 18 involve the dispensing of lottery tickets or shares, and to  
53 19 establish and operate a sales facility to sell lottery tickets  
53 20 or shares and any related merchandise.

53 21 p. Notwithstanding any other provision of law to the  
53 22 contrary, to purchase meals for attendees at authority  
53 23 business meetings.

53 24 q. To exercise all powers generally exercised by private  
53 25 businesses engaged in entrepreneurial pursuits, unless the  
53 26 exercise of such a power would violate the terms of this  
53 27 chapter or of the Constitution of this state.

53 28 3. Notwithstanding any other provision of law, any  
53 29 purchase of real property and any borrowing of more than one  
53 30 million dollars by the authority shall require written notice  
53 31 from the authority to the legislative government oversight  
53 32 committees and the prior approval of the executive council.

53 33 4. The powers enumerated in this section are cumulative of  
53 34 and in addition to those powers enumerated elsewhere in this  
53 35 chapter and no such powers limit or restrict any other powers  
54 1 of the authority.

54 2 5. Departments, boards, commissions, or other agencies of  
54 3 this state shall provide reasonable assistance and services to  
54 4 the authority upon the request of the chief executive officer.

54 5 Sec. 75. NEW SECTION. 99G.22 VENDOR BACKGROUND REVIEW.

54 6 1. The authority shall investigate the financial  
54 7 responsibility, security, and integrity of any lottery system  
54 8 vendor who is a finalist in submitting a bid, proposal, or  
54 9 offer as part of a major procurement contract. Before a major  
54 10 procurement contract is awarded, the division of criminal  
54 11 investigation of the department of public safety shall conduct  
54 12 a background investigation of the vendor to whom the contract  
54 13 is to be awarded. The chief executive officer and board shall  
54 14 consult with the division of criminal investigation and shall  
54 15 provide for the scope of the background investigation and due  
54 16 diligence to be conducted in connection with major procurement  
54 17 contracts. At the time of submitting a bid, proposal, or  
54 18 offer to the authority on a major procurement contract, the  
54 19 authority shall require that each vendor submit to the  
54 20 division of criminal investigation appropriate investigation  
54 21 authorization to facilitate this investigation, together with  
54 22 an advance of funds to meet the anticipated investigation  
54 23 costs. If the division of criminal investigation determines  
54 24 that additional funds are required to complete an  
54 25 investigation, the vendor will be so advised. The background  
54 26 investigation by the division of criminal investigation may  
54 27 include a national criminal history record check through the  
54 28 federal bureau of investigation. The screening of vendors or  
54 29 their employees through the federal bureau of investigation  
54 30 shall be conducted by submission of fingerprints through the  
54 31 state criminal history record repository to the federal bureau  
54 32 of investigation.

54 33 2. If at least twenty-five percent of the cost of a  
54 34 vendor's contract is subcontracted, the vendor shall disclose  
54 35 all of the information required by this section for the  
55 1 subcontractor as if the subcontractor were itself a vendor.

55 2 3. A major procurement contract shall not be entered into  
55 3 with any lottery system vendor who has not complied with the  
55 4 disclosure requirements described in this section, and any  
55 5 contract with such a vendor is voidable at the option of the  
55 6 authority. Any contract with a vendor that does not comply  
55 7 with the requirements for periodically updating such  
55 8 disclosures during the tenure of the contract as may be  
55 9 specified in such contract may be terminated by the authority.  
55 10 The provisions of this section shall be construed broadly and  
55 11 liberally to achieve the ends of full disclosure of all  
55 12 information necessary to allow for a full and complete  
55 13 evaluation by the authority of the competence, integrity,  
55 14 background, and character of vendors for major procurements.

55 15 4. A major procurement contract shall not be entered into  
55 16 with any vendor who has been found guilty of a felony related  
55 17 to the security or integrity of the lottery in this or any  
55 18 other jurisdiction.

55 19 5. A major procurement contract shall not be entered into  
55 20 with any vendor if such vendor has an ownership interest in an  
55 21 entity that had supplied consultation services under contract  
55 22 to the authority regarding the request for proposals  
55 23 pertaining to those particular goods or services.

55 24 6. If, based on the results of a background investigation,  
55 25 the board determines that the best interests of the authority,  
55 26 including but not limited to the authority's reputation for  
55 27 integrity, would be served thereby, the board may disqualify a  
55 28 potential vendor from contracting with the authority for a



55 29 major procurement contract or from acting as a subcontractor  
55 30 in connection with a contract for a major procurement  
55 31 contract.

55 32 Sec. 76. NEW SECTION. 99G.23 VENDOR BONDING, TAX FILING,  
55 33 AND COMPETITIVE BIDDING.

55 34 1. The authority may purchase, lease, or lease=purchase  
55 35 such goods or services as are necessary for effectuating the  
56 1 purposes of this chapter. The authority may make procurements  
56 2 that integrate functions such as lottery game design, lottery  
56 3 ticket distribution to retailers, supply of goods and  
56 4 services, and advertising. In all procurement decisions, the  
56 5 authority shall take into account the particularly sensitive  
56 6 nature of the lottery and shall act to promote and ensure  
56 7 security, honesty, fairness, and integrity in the operation  
56 8 and administration of the lottery and the objectives of  
56 9 raising net proceeds for state programs.

56 10 2. Each vendor shall, at the execution of the contract  
56 11 with the authority, post a performance bond or letter of  
56 12 credit from a bank or credit provider acceptable to the  
56 13 authority in an amount as deemed necessary by the authority  
56 14 for that particular bid or contract.

56 15 3. Each vendor shall be qualified to do business in this  
56 16 state and shall file appropriate tax returns as provided by  
56 17 the laws of this state.

56 18 4. All major procurement contracts must be competitively  
56 19 bid pursuant to policies and procedures approved by the board  
56 20 unless there is only one qualified vendor and that vendor has  
56 21 an exclusive right to offer the service or product.

56 22 Sec. 77. NEW SECTION. 99G.24 RETAILER COMPENSATION ==  
56 23 LICENSING.

56 24 1. The general assembly recognizes that to conduct a  
56 25 successful lottery, the authority must develop and maintain a  
56 26 statewide network of lottery retailers that will serve the  
56 27 public convenience and promote the sale of tickets or shares  
56 28 and the playing of lottery games while ensuring the integrity  
56 29 of the lottery operations, games, and activities.

56 30 2. The board shall determine the compensation to be paid  
56 31 to licensed retailers. Compensation may include provision for  
56 32 variable payments based on sales volume or incentive  
56 33 considerations.

56 34 3. The authority shall issue a license certificate to each  
56 35 person with whom it contracts as a retailer for purposes of  
57 1 display as provided in this section. Every lottery retailer  
57 2 shall post its license certificate, or a facsimile thereof,  
57 3 and keep it conspicuously displayed in a location on the  
57 4 premises accessible to the public. No license shall be  
57 5 assignable or transferable. Once issued, a license shall  
57 6 remain in effect until canceled, suspended, or terminated by  
57 7 the authority.

57 8 4. A licensee shall cooperate with the authority by using  
57 9 point-of-purchase materials, posters, and other marketing  
57 10 material when requested to do so by the authority. Lack of  
57 11 cooperation is sufficient cause for revocation of a retailer's  
57 12 license.

57 13 5. The board shall develop a list of objective criteria  
57 14 upon which the qualification of lottery retailers shall be  
57 15 based. Separate criteria shall be developed to govern the  
57 16 selection of retailers of instant tickets and online  
57 17 retailers. In developing these criteria, the board shall  
57 18 consider such factors as the applicant's financial  
57 19 responsibility, security of the applicant's place of business  
57 20 or activity, accessibility to the public, integrity, and  
57 21 reputation. The criteria shall include but not be limited to  
57 22 the volume of expected sales and the sufficiency of existing  
57 23 licensees to serve the public convenience.

57 24 6. The applicant shall be current in filing all applicable  
57 25 tax returns to the state of Iowa and in payment of all taxes,  
57 26 interest, and penalties owed to the state of Iowa, excluding  
57 27 items under formal appeal pursuant to applicable statutes.  
57 28 The department of revenue and finance is authorized and  
57 29 directed to provide this information to the authority.

57 30 7. A person, partnership, unincorporated association,  
57 31 authority, or other business entity shall not be selected as a  
57 32 lottery retailer if the person or entity meets any of the  
57 33 following conditions:

57 34 a. Has been convicted of a criminal offense related to the  
57 35 security or integrity of the lottery in this or any other  
58 1 jurisdiction.

58 2 b. Has been convicted of any illegal gambling activity,  
58 3 false statements, perjury, fraud, or a felony in this or any  
58 4 other jurisdiction.

58 5 c. Has been found to have violated the provisions of this  
58 6 chapter or any regulation, policy, or procedure of the  
58 7 authority or of the lottery division unless either ten years  
58 8 have passed since the violation or the board finds the  
58 9 violation both minor and unintentional in nature.  
58 10 d. Is a vendor or any employee or agent of any vendor  
58 11 doing business with the authority.  
58 12 e. Resides in the same household as an officer of the  
58 13 authority.  
58 14 f. Is less than eighteen years of age.  
58 15 g. Does not demonstrate financial responsibility  
58 16 sufficient to adequately meet the requirements of the proposed  
58 17 enterprise.  
58 18 h. Has not demonstrated that the applicant is the true  
58 19 owner of the business proposed to be licensed and that all  
58 20 persons holding at least a ten percent ownership interest in  
58 21 the applicant's business have been disclosed.

58 22 i. Has knowingly made a false statement of material fact  
58 23 to the authority.

58 24 8. Persons applying to become lottery retailers may be  
58 25 charged a uniform application fee for each lottery outlet.

58 26 9. Any lottery retailer contract executed pursuant to this  
58 27 section may, for good cause, be suspended, revoked, or  
58 28 terminated by the chief executive officer or the chief  
58 29 executive officer's designee if the retailer is found to have  
58 30 violated any provision of this chapter or objective criteria  
58 31 established by the board. Cause for suspension, revocation,  
58 32 or termination may include, but is not limited to, sale of  
58 33 tickets or shares to a person under the age of twenty-one and  
58 34 failure to pay for lottery products in a timely manner.

58 35 Sec. 78. NEW SECTION. 99G.25 LICENSE NOT ASSIGNABLE.

59 1 Any lottery retailer license certificate or contract shall  
59 2 not be transferable or assignable. The authority may issue a  
59 3 temporary license when deemed in the best interests of the  
59 4 state. A lottery retailer shall not contract with any person  
59 5 for lottery goods or services, except with the approval of the  
59 6 board.

59 7 Sec. 79. NEW SECTION. 99G.26 RETAILER BONDING.

59 8 The authority may require any retailer to post an  
59 9 appropriate bond, as determined by the authority, using a cash  
59 10 bond or an insurance company acceptable to the authority.

59 11 Sec. 80. NEW SECTION. 99G.27 LOTTERY RETAIL LICENSES ==  
59 12 CANCELLATION, SUSPENSION, REVOCATION, OR TERMINATION.

59 13 1. A lottery retail license issued by the authority  
59 14 pursuant to this chapter may be canceled, suspended, revoked,  
59 15 or terminated by the authority, for reasons including, but not  
59 16 limited to, any of the following:

59 17 a. A violation of this chapter, a regulation, or a policy  
59 18 or procedure of the authority.

59 19 b. Failure to accurately or timely account or pay for  
59 20 lottery products, lottery games, revenues, or prizes as  
59 21 required by the authority.

59 22 c. Commission of any fraud, deceit, or misrepresentation.

59 23 d. Insufficient sales.

59 24 e. Conduct prejudicial to public confidence in the  
59 25 lottery.

59 26 f. The retailer filing for or being placed in bankruptcy  
59 27 or receivership.

59 28 g. Any material change as determined in the sole  
59 29 discretion of the authority in any matter considered by the  
59 30 authority in executing the contract with the retailer.

59 31 h. Failure to meet any of the objective criteria  
59 32 established by the authority pursuant to this chapter.

59 33 i. Other conduct likely to result in injury to the  
59 34 property, revenue, or reputation of the authority.

59 35 2. A lottery retailer license may be temporarily suspended  
60 1 by the authority without prior notice if the chief executive  
60 2 officer or designee determines that further sales by the  
60 3 licensed retailer are likely to result in immediate injury to  
60 4 the property, revenue, or reputation of the authority.

60 5 3. The board shall adopt administrative rules governing  
60 6 appeals of lottery retailer licensing disputes.

60 7 Sec. 81. NEW SECTION. 99G.28 PROCEEDS HELD IN TRUST.

60 8 All proceeds from the sale of the lottery tickets or shares  
60 9 shall constitute a trust fund until paid to the authority  
60 10 directly, through electronic funds transfer to the authority,  
60 11 or through the authority's authorized collection  
60 12 representative. A lottery retailer and officers of a lottery  
60 13 retailer's business shall have a fiduciary duty to preserve  
60 14 and account for lottery proceeds and lottery retailers shall  
60 15 be personally liable for all proceeds. Proceeds shall include

60 16 unsold products received but not paid for by a lottery  
60 17 retailer and cash proceeds of the sale of any lottery products  
60 18 net of allowable sales commissions and credit for lottery  
60 19 prizes paid to winners by lottery retailers. Sales proceeds  
60 20 of pull-tab tickets shall include the sales price of the  
60 21 lottery product net of allowable sales commission and prizes  
60 22 contained in the product. Sales proceeds and unused instant  
60 23 tickets shall be delivered to the authority or its authorized  
60 24 collection representative upon demand.

60 25 Sec. 82. NEW SECTION. 99G.29 RETAILER RENTAL  
60 26 CALCULATIONS == LOTTERY TICKET SALES TREATMENT.  
60 27 If a lottery retailer's rental payments for the business  
60 28 premises are contractually computed, in whole or in part, on  
60 29 the basis of a percentage of retail sales and such computation  
60 30 of retail sales is not explicitly defined to include sales of  
60 31 tickets or shares in a state-operated or state-managed  
60 32 lottery, only the compensation received by the lottery  
60 33 retailer from the authority may be considered the amount of  
60 34 the lottery retail sale for purposes of computing the rental  
60 35 payment.

61 1 Sec. 83. NEW SECTION. 99G.30 TICKET SALES REQUIREMENTS  
61 2 == PENALTIES.  
61 3 1. Lottery tickets or shares may be distributed by the  
61 4 authority for promotional purposes.  
61 5 2. A ticket or share shall not be sold at a price other  
61 6 than that fixed by the authority and a sale shall not be made  
61 7 other than by a retailer or an employee of the retailer who is  
61 8 authorized by the retailer to sell tickets or shares. A  
61 9 person who violates a provision of this subsection is guilty  
61 10 of a simple misdemeanor.  
61 11 3. A ticket or share shall not be sold to a person who has  
61 12 not reached the age of twenty-one. Any person who knowingly  
61 13 sells a lottery ticket or share to a person under the age of  
61 14 twenty-one shall be guilty of a simple misdemeanor. It shall  
61 15 be an affirmative defense to a charge of a violation under  
61 16 this section that the retailer reasonably and in good faith  
61 17 relied upon presentation of proof of age in making the sale.  
61 18 A prize won by a person who has not reached the age of twenty=  
61 19 one but who purchases a winning ticket or share in violation  
61 20 of this subsection shall be forfeited. This section does not  
61 21 prohibit the lawful purchase of a ticket or share for the  
61 22 purpose of making a gift to a person who has not reached the  
61 23 age of twenty-one. The board shall adopt administrative rules  
61 24 governing the payment of prizes to persons who have not  
61 25 reached the age of twenty-one.  
61 26 4. Except for the authority, a retailer shall only sell  
61 27 lottery products on the licensed premises and not through the  
61 28 mail or by technological means except as the authority may  
61 29 provide or authorize.  
61 30 5. The retailer may accept payment by cash, check, money  
61 31 order, debit card, or electronic funds transfer. The retailer  
61 32 shall not extend or arrange credit for the purchase of a  
61 33 ticket or share. As used in this subsection, "cash" means  
61 34 United States currency.  
61 35 6. Nothing in this chapter shall be construed to prohibit  
62 1 the authority from designating certain of its agents and  
62 2 employees to sell or give lottery tickets or shares directly  
62 3 to the public.  
62 4 7. No elected official's name shall be printed on tickets.

62 5 Sec. 84. NEW SECTION. 99G.31 PRIZES.  
62 6 1. The chief executive officer shall award the designated  
62 7 prize to the ticket or shareholder upon presentation of the  
62 8 winning ticket or confirmation of a winning share. The prize  
62 9 shall be given to only one person; however, a prize shall be  
62 10 divided between holders of winning tickets if there is more  
62 11 than one winning ticket.  
62 12 2. The authority shall adopt administrative rules,  
62 13 policies, and procedures to establish a system of verifying  
62 14 the validity of tickets or shares claimed to win prizes and to  
62 15 effect payment of such prizes, subject to the following  
62 16 requirements:  
62 17 a. The prize shall be given to the person who presents a  
62 18 winning ticket. A prize may be given to only one person per  
62 19 winning ticket. However, a prize shall be divided between  
62 20 holders of winning tickets if there is more than one winning  
62 21 ticket. Payment of a prize may be made to the estate of a  
62 22 deceased prize winner or to another person pursuant to an  
62 23 appropriate judicial order issued by an Iowa court of  
62 24 competent jurisdiction.  
62 25 b. A prize shall not be paid arising from claimed tickets  
62 26 that are stolen, counterfeit, altered, fraudulent, unissued,

62 27 produced or issued in error, unreadable, not received, or not  
62 28 recorded by the authority within applicable deadlines; lacking  
62 29 in captions that conform and agree with the play symbols as  
62 30 appropriate to the particular lottery game involved; or not in  
62 31 compliance with such additional specific administrative rules,  
62 32 policies, and public or confidential validation and security  
62 33 tests of the authority appropriate to the particular lottery  
62 34 game involved.

62 35 c. No particular prize in any lottery game shall be paid  
63 1 more than once, and in the event of a determination that more  
63 2 than one claimant is entitled to a particular prize, the sole  
63 3 remedy of such claimants is the award to each of them of an  
63 4 equal share in the prize.

63 5 d. Unclaimed prize money for the prize on a winning ticket  
63 6 or share shall be retained for a period deemed appropriate by  
63 7 the chief executive officer, subject to approval by the board.  
63 8 If a valid claim is not made for the money within the  
63 9 applicable period, the unclaimed prize money shall be added to  
63 10 the pool from which future prizes are to be awarded or used  
63 11 for special prize promotions. Notwithstanding this  
63 12 subsection, the disposition of unclaimed prize money from  
63 13 multijurisdictional games shall be made in accordance with the  
63 14 rules of the multijurisdictional game.

63 15 e. No prize shall be paid upon a ticket or share purchased  
63 16 or sold in violation of this chapter. Any such prize shall  
63 17 constitute an unclaimed prize for purposes of this section.

63 18 f. The authority is discharged of all liability upon  
63 19 payment of a prize pursuant to this section.

63 20 g. No ticket or share issued by the authority shall be  
63 21 purchased by and no prize shall be paid to any member of the  
63 22 board of directors; any officer or employee of the authority;  
63 23 or to any spouse, child, brother, sister, or parent residing  
63 24 as a member of the same household in the principal place of  
63 25 residence of any such person.

63 26 h. No ticket or share issued by the authority shall be  
63 27 purchased by and no prize shall be paid to any officer,  
63 28 employee, agent, or subcontractor of any vendor or to any  
63 29 spouse, child, brother, sister, or parent residing as a member  
63 30 of the same household in the principal place of residence of  
63 31 any such person if such officer, employee, agent, or  
63 32 subcontractor has access to confidential information which may  
63 33 compromise the integrity of the lottery.

63 34 i. The proceeds of any lottery prize shall be subject to  
63 35 state and federal income tax laws. An amount deducted from  
64 1 the prize for payment of a state tax, pursuant to section  
64 2 422.16, subsection 1, shall be transferred by the authority to  
64 3 the department of revenue and finance on behalf of the prize  
64 4 winner.

64 5 Sec. 85. NEW SECTION. 99G.32 AUTHORITY LEGAL  
64 6 REPRESENTATION.

64 7 The authority shall retain the services of legal counsel to  
64 8 advise the authority and the board and to provide  
64 9 representation in legal proceedings. The authority may retain  
64 10 the attorney general or a full-time assistant attorney general  
64 11 in that capacity and provide reimbursement for the cost of  
64 12 advising and representing the board and the authority.

64 13 Sec. 86. NEW SECTION. 99G.33 LAW ENFORCEMENT  
64 14 INVESTIGATIONS.

64 15 The department of public safety, division of criminal  
64 16 investigation, shall be the primary state agency responsible  
64 17 for investigating criminal violations under this chapter. The  
64 18 chief executive officer shall contract with the department of  
64 19 public safety for investigative services, including the  
64 20 employment of special agents and support personnel, and  
64 21 procurement of necessary equipment to carry out the  
64 22 responsibilities of the division of criminal investigation  
64 23 under the terms of the agreement and this chapter.

64 24 Sec. 87. NEW SECTION. 99G.34 OPEN RECORDS == EXCEPTIONS.

64 25 The records of the authority shall be governed by the  
64 26 provisions of chapter 22, provided that, in addition to  
64 27 records that may be kept confidential pursuant to section  
64 28 22.7, the following records shall be kept confidential, unless  
64 29 otherwise ordered by a court, by the lawful custodian of the  
64 30 records, or by another person duly authorized to release such  
64 31 information:

64 32 1. Marketing plans, research data, and proprietary  
64 33 intellectual property owned or held by the authority under  
64 34 contractual agreements.

64 35 2. Personnel, vendor, and player social security or tax  
65 1 identification numbers.

65 2 3. Computer system hardware, software, functional and



65 3 system specifications, and game play data files.  
65 4 4. Security records pertaining to investigations and  
65 5 intelligence-sharing information between lottery security  
65 6 officers and those of other lotteries and law enforcement  
65 7 agencies, the security portions or segments of lottery  
65 8 requests for proposals, proposals by vendors to conduct  
65 9 lottery operations, and records of the security division of  
65 10 the authority pertaining to game security data, ticket  
65 11 validation tests, and processes.  
65 12 5. Player name and address lists, provided that the names  
65 13 and addresses of prize winners shall not be withheld.  
65 14 6. Operational security measures, systems, or procedures  
65 15 and building plans.  
65 16 7. Security reports and other information concerning bids  
65 17 or other contractual data, the disclosure of which would  
65 18 impair the efforts of the authority to contract for goods or  
65 19 services on favorable terms.  
65 20 8. Information that is otherwise confidential obtained  
65 21 pursuant to investigations.  
65 22 Sec. 88. NEW SECTION. 99G.35 SECURITY.  
65 23 1. The authority's chief security officer and  
65 24 investigators shall be qualified by training and experience in  
65 25 law enforcement to perform their respective duties in support  
65 26 of the activities of the security office. The chief security  
65 27 officer and investigators shall not have sworn peace officer  
65 28 status. The lottery security office shall perform all of the  
65 29 following activities in support of the authority mission:  
65 30 a. Supervise ticket or share validation and lottery  
65 31 drawings, provided that the authority may enter into  
65 32 cooperative agreements with multijurisdictional lottery  
65 33 administrators for shared security services at drawings and  
65 34 game show events involving more than one participating  
65 35 lottery.  
66 1 b. Inspect at times determined solely by the authority the  
66 2 facilities of any vendor or lottery retailer in order to  
66 3 determine the integrity of the vendor's product or the  
66 4 operations of the retailer in order to determine whether the  
66 5 vendor or the retailer is in compliance with its contract.  
66 6 c. Report any suspected violations of this chapter to the  
66 7 appropriate county attorney or the attorney general and to any  
66 8 law enforcement agencies having jurisdiction over the  
66 9 violation.  
66 10 d. Upon request, provide assistance to any county  
66 11 attorney, the attorney general, the department of public  
66 12 safety, or any other law enforcement agency.  
66 13 e. Upon request, provide assistance to retailers in  
66 14 meeting their licensing contract requirements and in detecting  
66 15 retailer employee theft.  
66 16 f. Monitor authority operations for compliance with  
66 17 internal security requirements.  
66 18 g. Provide physical security at the authority's central  
66 19 operations facilities.  
66 20 h. Conduct on-press product production surveillance,  
66 21 testing, and quality approval for printed scratch and pull-tab  
66 22 tickets.  
66 23 i. Coordinate employee and retailer background  
66 24 investigations conducted by the department of public safety,  
66 25 division of criminal investigation.  
66 26 2. The authority may enter into intelligence-sharing,  
66 27 reciprocal use, or restricted use agreements with the federal  
66 28 government, law enforcement agencies, lottery regulation  
66 29 agencies, and gaming enforcement agencies of other  
66 30 jurisdictions which provide for and regulate the use of  
66 31 information provided and received pursuant to the agreement.  
66 32 3. Records, documents, and information in the possession  
66 33 of the authority received pursuant to an intelligence-sharing,  
66 34 reciprocal use, or restricted use agreement entered into by  
66 35 the authority with a federal department or agency, any law  
67 1 enforcement agency, or the lottery regulation or gaming  
67 2 enforcement agency of any jurisdiction shall be considered  
67 3 investigative records of a law enforcement agency and are not  
67 4 subject to chapter 22 and shall not be released under any  
67 5 condition without the permission of the person or agency  
67 6 providing the record or information.  
67 7 Sec. 89. NEW SECTION. 99G.36 FORGERY == FRAUD ==  
67 8 PENALTIES.  
67 9 1. A person who, with intent to defraud, falsely makes,  
67 10 alters, forges, utters, passes, redeems, or counterfeits a  
67 11 lottery ticket or share or attempts to falsely make, alter,  
67 12 forge, utter, pass, redeem, or counterfeit a lottery ticket or  
67 13 share, or commits theft or attempts to commit theft of a

67 14 lottery ticket or share, is guilty of a class "D" felony.

67 15 2. Any person who influences or attempts to influence the  
67 16 winning of a prize through the use of coercion, fraud,  
67 17 deception, or tampering with lottery equipment or materials  
67 18 shall be guilty of a class "D" felony.

67 19 3. No person shall knowingly or intentionally make a  
67 20 material false statement in any application for a license or  
67 21 proposal to conduct lottery activities or make a material  
67 22 false entry in any book or record which is compiled or  
67 23 maintained or submitted to the board pursuant to the  
67 24 provisions of this chapter. Any person who violates the  
67 25 provisions of this section shall be guilty of a class "D"  
67 26 felony.

67 27 Sec. 90. NEW SECTION. 99G.37 COMPETITIVE BIDDING.

67 28 1. The authority shall enter into a major procurement  
67 29 contract pursuant to competitive bidding. The requirement for  
67 30 competitive bidding does not apply in the case of a single  
67 31 vendor having exclusive rights to offer a particular service  
67 32 or product. The board shall adopt procedures for competitive  
67 33 bidding. Procedures adopted by the board shall be designed to  
67 34 allow the selection of proposals that provide the greatest  
67 35 long-term benefit to the state, the greatest integrity for the  
68 1 authority, and the best service and products for the public.

68 2 2. In any bidding process, the authority may administer  
68 3 its own bidding and procurement or may utilize the services of  
68 4 the department of general services, or its successor, or other  
68 5 state agency.

68 6 Sec. 91. NEW SECTION. 99G.38 AUTHORITY FINANCE == SELF=  
68 7 SUSTAINING.

68 8 1. The authority may borrow, or accept and expend, in  
68 9 accordance with the provisions of this chapter, such moneys as  
68 10 may be received from any source, including income from the  
68 11 authority's operations, for effectuating its business  
68 12 purposes, including the payment of the initial expenses of  
68 13 initiation, administration, and operation of the authority and  
68 14 the lottery.

68 15 2. The authority shall be self=sustaining and self=funded.  
68 16 Moneys in the general fund of the state shall not be used or  
68 17 obligated to pay the expenses of the authority or prizes of  
68 18 the lottery, and no claim for the payment of an expense of the  
68 19 lottery or prizes of the lottery may be made against any  
68 20 moneys other than moneys credited to the authority operating  
68 21 account.

68 22 3. The state of Iowa offset program, as provided in  
68 23 section 421.17, shall be available to the authority to  
68 24 facilitate receipt of funds owed to the authority.

68 25 Sec. 92. NEW SECTION. 99G.39 ALLOCATION, APPROPRIATION,  
68 26 TRANSFER, AND REPORTING OF FUNDS.

68 27 1. Upon receipt of any revenue, the chief executive  
68 28 officer shall deposit the moneys in the lottery fund created  
68 29 pursuant to section 99G.40. At least fifty percent of the  
68 30 projected annual revenue accruing from the sale of tickets or  
68 31 shares shall be allocated for payment of prizes to the holders  
68 32 of winning tickets. After the payment of prizes, the  
68 33 following shall be deducted from the authority's revenue prior  
68 34 to disbursement:

68 35 a. An amount equal to three=tenths of one percent of the  
69 1 gross lottery revenue for the year shall be deposited in a  
69 2 gambling treatment fund in the office of the treasurer of  
69 3 state.

69 4 b. The expenses of conducting the lottery. Expenses for  
69 5 advertising production and media purchases shall not exceed  
69 6 four percent of the authority's gross revenue for the year.

69 7 2. The director of management shall not include lottery  
69 8 revenues in the director's fiscal year revenue estimates.

69 9 3. a. Notwithstanding subsection 1, if gaming revenues  
69 10 under sections 99D.17 and 99F.11 are insufficient in a fiscal  
69 11 year to meet the total amount of such revenues directed to be  
69 12 deposited in the vision Iowa fund and the school  
69 13 infrastructure fund during the fiscal year pursuant to section  
69 14 8.57, subsection 5, paragraph "e", the difference shall be  
69 15 paid from lottery revenues prior to deposit of the lottery  
69 16 revenues in the general fund. If lottery revenues are  
69 17 insufficient during the fiscal year to pay the difference, the  
69 18 remaining difference shall be paid from lottery revenues in  
69 19 subsequent fiscal years as such revenues become available.

69 20 b. The treasurer of state shall, each quarter, prepare an  
69 21 estimate of the gaming revenues and lottery revenues that will  
69 22 become available during the remainder of the appropriate  
69 23 fiscal year for the purposes described in paragraph "a". The  
69 24 department of management and the department of revenue and

69 25 finance shall take appropriate actions to provide that the  
69 26 amount of gaming revenues and lottery revenues that will be  
69 27 available during the remainder of the appropriate fiscal year  
69 28 is sufficient to cover any anticipated deficiencies.

69 29 Sec. 93. NEW SECTION. 99G.40 AUDITS AND REPORTS ==  
69 30 LOTTERY FUND.

69 31 1. To ensure the financial integrity of the lottery, the  
69 32 authority shall do all of the following:

69 33 a. Submit quarterly and annual reports to the governor,  
69 34 state auditor, and the general assembly disclosing the total  
69 35 lottery revenues, prize disbursements, and other expenses of  
70 1 the authority during the reporting period. The fourth quarter  
70 2 report shall be included in the annual report made pursuant to  
70 3 this section. The annual report shall include a complete  
70 4 statement of lottery revenues, prize disbursements, and other  
70 5 expenses, and recommendations for changes in the law that the  
70 6 chief executive officer deems necessary or desirable. The  
70 7 annual report shall be submitted within one hundred twenty  
70 8 days after the close of the fiscal year. The chief executive  
70 9 officer shall report immediately to the governor, the  
70 10 treasurer of state, and the general assembly any matters that  
70 11 require immediate changes in the law in order to prevent  
70 12 abuses or evasions of this chapter or rules adopted or to  
70 13 rectify undesirable conditions in connection with the  
70 14 administration or operation of the lottery.

70 15 b. Maintain weekly or more frequent records of lottery  
70 16 transactions, including the distribution of tickets or shares  
70 17 to retailers, revenues received, claims for prizes, prizes  
70 18 paid, prizes forfeited, and other financial transactions of  
70 19 the authority.

70 20 c. The authority shall deposit in the lottery fund created  
70 21 in subsection 2 any moneys received by retailers from the sale  
70 22 of tickets or shares less the amount of any compensation due  
70 23 the retailers. The chief executive officer may require  
70 24 licensees to file with the authority reports of receipts and  
70 25 transactions in the sale of tickets or shares. The reports  
70 26 shall be in the form and contain the information the chief  
70 27 executive officer requires.

70 28 2. A lottery fund is created in the office of the  
70 29 treasurer of state and shall exist as the recipient fund for  
70 30 authority receipts. The fund consists of all revenues  
70 31 received from the sale of lottery tickets or shares and all  
70 32 other moneys lawfully credited or transferred to the fund.  
70 33 The chief executive officer shall certify quarterly that  
70 34 portion of the fund that has been transferred to the general  
70 35 fund of the state under this chapter and shall cause that  
71 1 portion to be transferred to the general fund of the state.  
71 2 However, upon the request of the chief executive officer and  
71 3 subject to the approval by the treasurer of state, an amount  
71 4 sufficient to cover the foreseeable administrative expenses of  
71 5 the lottery for a period of twenty-one days may be retained  
71 6 from the lottery fund. Prior to the quarterly transfer to the  
71 7 general fund of the state, the chief executive officer may  
71 8 direct that lottery revenue shall be deposited in the lottery  
71 9 fund and in interest-bearing accounts designated by the  
71 10 treasurer of state. Interest or earnings paid on the deposits  
71 11 or investments is considered lottery revenue and shall be  
71 12 transferred to the general fund of the state in the same  
71 13 manner as other lottery revenue.

71 14 3. The chief executive officer shall certify before the  
71 15 last day of the month following each quarter that portion of  
71 16 the lottery fund resulting from the previous quarter's sales  
71 17 to be transferred to the general fund of the state.

71 18 4. For informational purposes only, the chief executive  
71 19 officer shall submit to the department of management by  
71 20 October 1 of each year a proposed operating budget for the  
71 21 authority for the succeeding fiscal year. This budget  
71 22 proposal shall also be accompanied by an estimate of the net  
71 23 proceeds to be deposited into the general fund during the  
71 24 succeeding fiscal year. This budget shall be on forms  
71 25 prescribed by the department of management.

71 26 5. The authority shall adopt the same fiscal year as that  
71 27 used by state government and shall be audited annually.

71 28 Sec. 94. NEW SECTION. 99G.41 PRIZE OFFSETS ==  
71 29 GARNISHMENTS.

71 30 1. Any claimant agency may submit to the authority a list  
71 31 of the names of all persons indebted to such claimant agency  
71 32 or to persons on whose behalf the claimant agency is acting.  
71 33 The full amount of the debt shall be collectable from any  
71 34 lottery winnings due the debtor without regard to limitations  
71 35 on the amounts that may be collectable in increments through

72 1 garnishment or other proceedings. Such list shall constitute  
72 2 a valid lien upon and claim of lien against the lottery  
72 3 winnings of any debtor named in such list. The list shall  
72 4 contain the names of the debtors, their social security  
72 5 numbers if available, and any other information that assists  
72 6 the authority in identifying the debtors named in the list.

72 7 2. The authority is authorized and directed to withhold  
72 8 any winnings paid out directly by the authority subject to the  
72 9 lien created by this section and send notice to the winner.  
72 10 However, if the winner appears and claims winnings in person,  
72 11 the authority shall notify the winner at that time by hand  
72 12 delivery of such action. The authority shall pay the funds  
72 13 over to the agency administering the offset program.

72 14 3. Notwithstanding the provisions of section 99G.34 which  
72 15 prohibit disclosure by the authority of certain portions of  
72 16 the contents of prize winner records or information, and  
72 17 notwithstanding any other confidentiality statute, the  
72 18 authority may provide to a claimant agency all information  
72 19 necessary to accomplish and effectuate the intent of this  
72 20 section.

72 21 4. The information obtained by a claimant agency from the  
72 22 authority in accordance with this section shall retain its  
72 23 confidentiality and shall only be used by a claimant agency in  
72 24 the pursuit of its debt collection duties and practices. Any  
72 25 employee or prior employee of any claimant agency who  
72 26 unlawfully discloses any such information for any other  
72 27 purpose, except as otherwise specifically authorized by law,  
72 28 shall be subject to the same penalties specified by law for  
72 29 unauthorized disclosure of confidential information by an  
72 30 agent or employee of the authority.

72 31 5. Except as otherwise provided in this chapter,  
72 32 attachments, garnishments, or executions authorized and issued  
72 33 pursuant to law shall be withheld if timely served upon the  
72 34 authority.

72 35 6. The provisions of this section shall only apply to  
73 1 prizes paid directly by the authority and shall not apply to  
73 2 any retailers authorized by the board to pay prizes of up to  
73 3 six hundred dollars after deducting the price of the ticket or  
73 4 share.

73 5 Sec. 95. NEW SECTION. 99G.42 COMPULSIVE GAMBLERS ==  
73 6 PRINTING ON TICKETS == INFORMATION AT RETAIL OUTLETS.

73 7 The authority shall cooperate with the gambling treatment  
73 8 program administered by the Iowa department of public health  
73 9 to incorporate information regarding the gambling treatment  
73 10 program and its toll-free telephone number in printed  
73 11 materials distributed by the authority.

73 12 Sec. 96. Section 7E.5, subsection 1, paragraph d, Code  
73 13 2003, is amended to read as follows:

73 14 d. The department of revenue and finance, created in  
73 15 section 421.2, which has primary responsibility for revenue  
73 16 collection and revenue law compliance, and financial  
73 17 management and assistance, and the Iowa lottery.

73 18 Sec. 97. Section 7E.6, subsection 3, Code 2003, is amended  
73 19 to read as follows:

73 20 3. Any position of membership on the ~~lottery~~ board of the  
73 21 Iowa lottery authority shall receive compensation of fifty  
73 22 dollars per day and expenses.

73 23 Sec. 98. Section 8.22A, subsection 5, paragraph a, Code  
73 24 2003, is amended to read as follows:

73 25 a. The amount of lottery revenues for the following fiscal  
73 26 year to be available for disbursement following the deductions  
73 27 made pursuant to section ~~99E.10~~ 99G.39, subsection 1.

73 28 Sec. 99. Section 8.57, subsection 5, paragraph e,  
73 29 unnumbered paragraph 2, Code 2003, is amended to read as  
73 30 follows:

73 31 If the total amount of moneys directed to be deposited in  
73 32 the general fund of the state under sections 99D.17 and 99F.11  
73 33 in a fiscal year is less than the total amount of moneys  
73 34 directed to be deposited in the vision Iowa fund and the  
73 35 school infrastructure fund in the fiscal year pursuant to this  
74 1 paragraph "e", the difference shall be paid from lottery  
74 2 revenues in the manner provided in section ~~99E.10~~ 99G.39,  
74 3 subsection 3.

74 4 Sec. 100. Section 68B.35, subsection 2, paragraph e, Code  
74 5 2003, is amended to read as follows:

74 6 e. Members of the banking board, the ethics and campaign  
74 7 disclosure board, the credit union review board, the economic  
74 8 development board, the employment appeal board, the  
74 9 environmental protection commission, the health facilities  
74 10 council, the Iowa finance authority, the Iowa public  
74 11 employees' retirement system investment board, the ~~lottery~~



74 12 board of the Iowa lottery authority, the natural resource  
74 13 commission, the board of parole, the petroleum underground  
74 14 storage tank fund board, the public employment relations  
74 15 board, the state racing and gaming commission, the state board  
74 16 of regents, the tax review board, the transportation  
74 17 commission, the office of consumer advocate, the utilities  
74 18 board, the Iowa telecommunications and technology commission,  
74 19 and any full-time members of other boards and commissions as  
74 20 defined under section 7E.4 who receive an annual salary for  
74 21 their service on the board or commission.

74 22 Sec. 101. Section 99A.10, Code 2003, is amended to read as  
74 23 follows:

74 24 99A.10 MANUFACTURE AND DISTRIBUTION OF GAMBLING DEVICES  
74 25 PERMITTED.

74 26 A person may manufacture or act as a distributor for  
74 27 gambling devices for sale out of the state in another  
74 28 jurisdiction where possession of the device is legal or for  
74 29 sale in the state or use in the state if the use is permitted  
74 30 pursuant to either chapter 99B or chapter ~~99F~~ 99G.

74 31 Sec. 102. Section 99B.1, subsection 17, Code 2003, is  
74 32 amended to read as follows:

74 33 17. "Merchandise" includes lottery tickets or shares sold  
74 34 or authorized under chapter ~~99F~~ 99G. The value of the ticket  
74 35 or share is the price of the ticket or share as established by  
75 1 the lottery division of the department of revenue and finance  
75 2 pursuant to chapter ~~99F~~ 99G.

75 3 Sec. 103. Section 99B.6, subsection 5, Code 2003, is  
75 4 amended to read as follows:

75 5 5. Lottery tickets or shares authorized pursuant to  
75 6 chapter ~~99F~~ 99G may be sold on the premises of an  
75 7 establishment that serves or sells alcoholic beverages, wine,  
75 8 or beer as defined in section 123.3.

75 9 Sec. 104. Section 99B.7, subsection 1, paragraph 1,  
75 10 subparagraph (1), Code 2003, is amended to read as follows:

75 11 (1) No other gambling is engaged in at the same location,  
75 12 except that lottery tickets or shares issued by the lottery  
75 13 division of the department of revenue and finance may be sold  
75 14 pursuant to chapter ~~99F~~ 99G.

75 15 Sec. 105. Section 99B.15, Code 2003, is amended to read as  
75 16 follows:

75 17 99B.15 APPLICABILITY OF CHAPTER == PENALTY.

75 18 It is the intent and purpose of this chapter to authorize  
75 19 gambling in this state only to the extent specifically  
75 20 permitted by a section of this chapter or chapter 99D, ~~99F, or~~  
75 21 ~~99F, or~~ 99G. Except as otherwise provided in this chapter,  
75 22 the knowing failure of any person to comply with the  
75 23 limitations imposed by this chapter constitutes unlawful  
75 24 gambling, a serious misdemeanor.

75 25 Sec. 106. Section 99F.2, Code 2003, is amended to read as  
75 26 follows:

75 27 99F.2 SCOPE OF PROVISIONS.

75 28 This chapter does not apply to the pari-mutuel system of  
75 29 wagering used or intended to be used in connection with the  
75 30 horse-race or dog-race meetings as authorized under chapter  
75 31 99D, lottery or lotto games authorized under chapter ~~99F~~ 99G,  
75 32 or bingo or games of skill or chance authorized under chapter  
75 33 99B.

75 34 Sec. 107. Section 99F.11, subsection 3, Code 2003, is  
75 35 amended to read as follows:

76 1 3. Three-tenths of one percent of the adjusted gross  
76 2 receipts shall be deposited in the gambling treatment fund  
76 3 specified in section ~~99F.10~~ 99G.39, subsection 1, paragraph  
76 4 "a".

76 5 Sec. 108. Section 123.49, subsection 2, paragraph a, Code  
76 6 2003, is amended to read as follows:

76 7 a. Knowingly permit any gambling, except in accordance  
76 8 with chapter 99B, 99D, ~~99F, or~~ 99F, or 99G, or knowingly  
76 9 permit solicitation for immoral purposes, or immoral or  
76 10 disorderly conduct on the premises covered by the license or  
76 11 permit.

76 12 Sec. 109. Section 321.19, subsection 1, unnumbered  
76 13 paragraph 2, Code 2003, is amended to read as follows:

76 14 The department shall furnish, on application, free of  
76 15 charge, distinguishing plates for vehicles thus exempted,  
76 16 which plates except plates on Iowa state patrol vehicles shall  
76 17 bear the word "official" and the department shall keep a  
76 18 separate record. Registration plates issued for Iowa state  
76 19 patrol vehicles, except unmarked patrol vehicles, shall bear  
76 20 two red stars on a yellow background, one before and one  
76 21 following the registration number on the plate, which  
76 22 registration number shall be the officer's badge number.

76 23 Registration plates issued for county sheriff's patrol  
76 24 vehicles shall display one seven-pointed gold star followed by  
76 25 the letter "S" and the call number of the vehicle. However,  
76 26 the director of general services or the director of  
76 27 transportation may order the issuance of regular registration  
76 28 plates for any exempted vehicle used by peace officers in the  
76 29 enforcement of the law, persons enforcing chapter 124 and  
76 30 other laws relating to controlled substances, persons in the  
76 31 department of justice, the alcoholic beverages division of the  
76 32 department of commerce, disease investigators of the Iowa  
76 33 department of public health, the department of inspections and  
76 34 appeals, and the department of revenue and finance, who are  
76 35 regularly assigned to conduct investigations which cannot  
77 1 reasonably be conducted with a vehicle displaying "official"  
77 2 state registration plates, persons in the Iowa lottery  
77 3 ~~division of the department of revenue and finance authority~~  
77 4 whose regularly assigned duties relating to security or the  
77 5 carrying of lottery tickets cannot reasonably be conducted  
77 6 with a vehicle displaying "official" registration plates, and  
77 7 persons in the department of economic development who are  
77 8 regularly assigned duties relating to existing industry  
77 9 expansion or business attraction. For purposes of sale of  
77 10 exempted vehicles, the exempted governmental body, upon the  
77 11 sale of the exempted vehicle, may issue for in-transit  
77 12 purposes a pasteboard card bearing the words "Vehicle in  
77 13 Transit", the name of the official body from which the vehicle  
77 14 was purchased, together with the date of the purchase plainly  
77 15 marked in at least one-inch letters, and other information  
77 16 required by the department. The in-transit card is valid for  
77 17 use only within forty-eight hours after the purchase date as  
77 18 indicated on the bill of sale which shall be carried by the  
77 19 driver.

77 20 Sec. 110. Section 421.17, subsection 27, Code 2003, is  
77 21 amended by striking the subsection.

77 22 Sec. 111. Section 422.16, subsection 1, unnumbered  
77 23 paragraph 4, Code 2003, is amended to read as follows:

77 24 For the purposes of this subsection, state income tax shall  
77 25 be withheld on winnings in excess of six hundred dollars  
77 26 derived from gambling activities authorized under chapter 99B  
77 27 or ~~99F~~ 99G. State income tax shall be withheld on winnings in  
77 28 excess of one thousand dollars from gambling activities  
77 29 authorized under chapter 99D. State income tax shall be  
77 30 withheld on winnings in excess of twelve hundred dollars  
77 31 derived from slot machines authorized under chapter 99F.

77 32 Sec. 112. Section 422.43, subsection 2, Code 2003, is  
77 33 amended to read as follows:

77 34 2. There is imposed a tax of five percent upon the gross  
77 35 receipts derived from the operation of all forms of amusement  
78 1 devices and games of skill, games of chance, raffles, and  
78 2 bingo games as defined in chapter 99B, operated or conducted  
78 3 within the state, the tax to be collected from the operator in  
78 4 the same manner as for the collection of taxes upon the gross  
78 5 receipts of tickets or admission as provided in this section.  
78 6 ~~The tax shall also be imposed upon the gross receipts derived~~  
78 7 ~~from the sale of lottery tickets or shares pursuant to chapter~~  
78 8 ~~99E. The tax on the lottery tickets or shares shall be~~  
78 9 ~~included in the sales price and distributed to the general~~  
78 10 ~~fund as provided in section 99E.10.~~

78 11 Sec. 113. Section 422B.8, unnumbered paragraph 1, Code  
78 12 2003, is amended to read as follows:

78 13 A local sales and services tax at the rate of not more than  
78 14 one percent may be imposed by a county on the gross receipts  
78 15 taxed by the state under chapter 422, division IV. A local  
78 16 sales and services tax shall be imposed on the same basis as  
78 17 the state sales and services tax or in the case of the use of  
78 18 natural gas, natural gas service, electricity, or electric  
78 19 service on the same basis as the state use tax and shall not  
78 20 be imposed on the sale of any property or on any service not  
78 21 taxed by the state, except the tax shall not be imposed on the  
78 22 gross receipts from the sale of motor fuel or special fuel as  
78 23 defined in chapter 452A which is consumed for highway use or  
78 24 in watercraft or aircraft if the fuel tax is paid on the  
78 25 transaction and a refund has not or will not be allowed, on  
78 26 the gross receipts from the rental of rooms, apartments, or  
78 27 sleeping quarters which are taxed under chapter 422A during  
78 28 the period the hotel and motel tax is imposed, on the gross  
78 29 receipts from the sale of equipment by the state department of  
78 30 transportation, on the gross receipts from the sale of self=  
78 31 propelled building equipment, pile drivers, motorized  
78 32 scaffolding, or attachments customarily drawn or attached to  
78 33 self-propelled building equipment, pile drivers, and motorized

78 34 scaffolding, including auxiliary attachments which improve the  
78 35 performance, safety, operation, or efficiency of the equipment  
79 1 and replacement parts and are directly and primarily used by  
79 2 contractors, subcontractors, and builders for new  
79 3 construction, reconstruction, alterations, expansion, or  
79 4 remodeling of real property or structures, and on the gross  
79 5 receipts from the sale of a lottery ticket or share in a  
79 6 lottery game conducted pursuant to chapter ~~99E~~ 99G and except  
79 7 the tax shall not be imposed on the gross receipts from the  
79 8 sale or use of natural gas, natural gas service, electricity,  
79 9 or electric service in a city or county where the gross  
79 10 receipts from the sale of natural gas or electric energy are  
79 11 subject to a franchise fee or user fee during the period the  
79 12 franchise or user fee is imposed. A local sales and services  
79 13 tax is applicable to transactions within those incorporated  
79 14 and unincorporated areas of the county where it is imposed and  
79 15 shall be collected by all persons required to collect state  
79 16 gross receipts taxes. However, a person required to collect  
79 17 state retail sales tax under chapter 422, division IV, is not  
79 18 required to collect local sales and services tax on  
79 19 transactions delivered within the area where the local sales  
79 20 and services tax is imposed unless the person has physical  
79 21 presence in that taxing area. All cities contiguous to each  
79 22 other shall be treated as part of one incorporated area and  
79 23 the tax would be imposed in each of those contiguous cities  
79 24 only if the majority of those voting in the total area covered  
79 25 by the contiguous cities favor its imposition.

79 26 Sec. 114. Section 422E.3, subsection 2, Code 2003, is  
79 27 amended to read as follows:

79 28 2. The tax shall be imposed on the same basis as the state  
79 29 sales and services tax or in the case of the use of natural  
79 30 gas, natural gas service, electricity, or electric service on  
79 31 the same basis as the state use tax and shall not be imposed  
79 32 on the sale of any property or on any service not taxed by the  
79 33 state, except the tax shall not be imposed on the gross  
79 34 receipts from the sale of motor fuel or special fuel as  
79 35 defined in chapter 452A which is consumed for highway use or  
80 1 in watercraft or aircraft if the fuel tax is paid on the  
80 2 transaction and a refund has not or will not be allowed, on  
80 3 the gross receipts from the rental of rooms, apartments, or  
80 4 sleeping quarters which are taxed under chapter 422A during  
80 5 the period the hotel and motel tax is imposed, on the gross  
80 6 receipts from the sale of equipment by the state department of  
80 7 transportation, on the gross receipts from the sale of self=  
80 8 propelled building equipment, pile drivers, motorized  
80 9 scaffolding, or attachments customarily drawn or attached to  
80 10 self-propelled building equipment, pile drivers, and motorized  
80 11 scaffolding, including auxiliary attachments which improve the  
80 12 performance, safety, operation, or efficiency of the  
80 13 equipment, and replacement parts and are directly and  
80 14 primarily used by contractors, subcontractors, and builders  
80 15 for new construction, reconstruction, alterations, expansion,  
80 16 or remodeling of real property or structures, and on the gross  
80 17 receipts from the sale of a lottery ticket or share in a  
80 18 lottery game conducted pursuant to chapter ~~99E~~ 99G and except  
80 19 the tax shall not be imposed on the gross receipts from the  
80 20 sale or use of natural gas, natural gas service, electricity,  
80 21 or electric service in a city or county where the gross  
80 22 receipts from the sale of natural gas or electric energy are  
80 23 subject to a franchise fee or user fee during the period the  
80 24 franchise or user fee is imposed.

80 25 Sec. 115. Section 537A.4, unnumbered paragraph 2, Code  
80 26 2003, is amended to read as follows:

80 27 This section does not apply to a contract for the operation  
80 28 of or for the sale or rental of equipment for games of skill  
80 29 or games of chance, if both the contract and the games are in  
80 30 compliance with chapter 99B. This section does not apply to  
80 31 wagering under the pari-mutuel method of wagering authorized  
80 32 by chapter 99D. This section does not apply to the sale,  
80 33 purchase or redemption of a ticket or share in the state  
80 34 lottery in compliance with chapter ~~99E~~ 99G. This section does  
80 35 not apply to wagering under the excursion boat gambling method  
81 1 of wagering authorized by chapter 99F. This section does not  
81 2 apply to the sale, purchase, or redemption of any ticket or  
81 3 similar gambling device legally purchased in Indian lands  
81 4 within this state.

81 5 Sec. 116. Section 714B.10, subsection 1, Code 2003, is  
81 6 amended to read as follows:

81 7 1. Advertising by sponsors registered pursuant to chapter  
81 8 557B, licensed pursuant to chapter 99B, or regulated pursuant  
81 9 to chapter 99D, ~~99E, or 99F, or 99G.~~

81 10 Sec. 117. Section 725.9, subsection 5, Code 2003, is  
81 11 amended to read as follows:  
81 12 5. This chapter does not prohibit the possession of  
81 13 gambling devices by a manufacturer or distributor if the  
81 14 possession is solely for sale out of the state in another  
81 15 jurisdiction where possession of the device is legal or for  
81 16 sale in the state or use in the state if the use is licensed  
81 17 pursuant to either chapter 99B or chapter ~~99E~~ 99G.  
81 18 Sec. 118. Section 725.15, Code 2003, is amended to read as  
81 19 follows:  
81 20 725.15 EXCEPTIONS FOR LEGAL GAMBLING.  
81 21 Sections 725.5 to 725.10 and 725.12 do not apply to a game,  
81 22 activity, ticket, or device when lawfully possessed, used,  
81 23 conducted, or participated in pursuant to chapter 99B, ~~99E, or~~  
81 24 ~~99F, or~~ 99G.  
81 25 Sec. 119. Chapter 99E, Code 2003, is repealed.  
81 26 Sec. 120. IOWA LOTTERY AUTHORITY == TRANSITION PROVISIONS.  
81 27 1. For purposes of this section, unless the context  
81 28 otherwise requires:  
81 29 a. "Iowa lottery authority" means the Iowa lottery  
81 30 authority as created in this Act pursuant to chapter 99G.  
81 31 b. "Iowa lottery board" means the five-member board  
81 32 established pursuant to 1985 Iowa Acts, chapter 33, section  
81 33 105.  
81 34 c. "Lottery division" means the lottery division of the  
81 35 department of revenue and finance established pursuant to 1985  
82 1 Iowa Acts, chapter 33, section 103.  
82 2 2. The Iowa lottery authority shall be the legal successor  
82 3 to the lottery division and, as such, shall assume all rights,  
82 4 privileges, obligations, and responsibilities of the lottery  
82 5 division. The promulgated rules of the lottery division shall  
82 6 remain in full force and effect as the rules of the authority  
82 7 until amended or repealed by the authority. In addition, the  
82 8 Iowa lottery authority may continue the security practices and  
82 9 procedures utilized by the lottery division until amended or  
82 10 repealed by the authority.  
82 11 3. The Iowa lottery authority is created effective at  
82 12 12:01 a.m. on September 1, 2003, upon which date and time the  
82 13 authority shall become the legal successor to the lottery  
82 14 division. Until the aforesaid date and time, no business  
82 15 shall be conducted by the authority on behalf of the lottery,  
82 16 provided, however, that the Iowa lottery commissioner and Iowa  
82 17 lottery board shall implement such measures as are appropriate  
82 18 to ensure a smooth transition from the agency to the Iowa  
82 19 lottery authority as of the effective date of succession.  
82 20 4. Notwithstanding any provision of chapter 99G, as  
82 21 created by this Act, to the contrary, the commissioner of the  
82 22 Iowa lottery established pursuant to 1985 Iowa Acts, chapter  
82 23 33, section 103, as amended by 1986 Iowa Acts, chapter 1245,  
82 24 section 404, shall serve as the initial chief executive  
82 25 officer of the Iowa lottery authority. In addition,  
82 26 notwithstanding any provision of section 99G.9, as created by  
82 27 this Act, to the contrary, the term of office for the chief  
82 28 executive officer of the Iowa lottery authority as of  
82 29 September 1, 2003, shall end April 30, 2008.  
82 30 5. Notwithstanding any provision of chapter 99G, as  
82 31 created by this Act, to the contrary, the initial board of  
82 32 directors of the Iowa lottery authority shall consist of the  
82 33 duly appointed and confirmed members of the Iowa lottery board  
82 34 serving at the date of succession. Said board members shall  
82 35 serve as members of the Iowa lottery authority's board of  
83 1 directors throughout the remainder of their respective Iowa  
83 2 lottery board terms, subject to earlier resignation or removal  
83 3 from office for cause as provided by this Act.  
83 4 6. Personnel of the lottery division employed on September  
83 5 1, 2003, shall transition to the Iowa lottery authority as the  
83 6 initial authority employees.  
83 7 7. Whereas the lottery division was authorized only as a  
83 8 self-funded enterprise and except for an initial appropriation  
83 9 for start-up expenses, funds of the state have not been  
83 10 authorized for use or obligation to pay the expenses or prizes  
83 11 of the lottery division. The Iowa lottery authority shall  
83 12 function as the legal successor to the lottery division and  
83 13 shall assume all of the assets and obligations of the lottery  
83 14 division, and funds of the state shall not be used or  
83 15 obligated to pay the expenses or prizes of the authority or  
83 16 its predecessor, the lottery division.  
83 17 8. In order to effect an immediate and efficient  
83 18 transition of the lottery from the lottery division to the  
83 19 Iowa lottery authority, as soon as practicable, the Iowa  
83 20 lottery authority shall do all of the following:



83 21 a. Take such steps and enter into such agreements as the  
83 22 board of the Iowa lottery authority may determine are  
83 23 necessary and proper in order to effect the transfer,  
83 24 assignment, and delivery to the authority from the state of  
83 25 all the tangible and intangible assets constituting the  
83 26 lottery, including the exclusive right to operate the lottery  
83 27 and the assignment to and assumption by the authority of all  
83 28 agreements, covenants, and obligations of the lottery division  
83 29 and other agencies of the state, relating to the operation and  
83 30 management of the lottery.

83 31 b. Receive as transferee from the state of Iowa all of the  
83 32 tangible and intangible assets constituting the lottery  
83 33 including, without limitation, the exclusive authorization to  
83 34 operate a lottery in the state of Iowa and ownership of  
83 35 annuities and bonds purchased prior to the date of transfer  
84 1 and held in the name of the Iowa lottery for payment of  
84 2 lottery prizes, and shall assume and discharge all of the  
84 3 agreements, covenants, and obligations of the lottery division  
84 4 entered into and constituting part of the operation and  
84 5 management of the lottery. In consideration for such transfer  
84 6 and assumption, the Iowa lottery authority shall transfer to  
84 7 the state all net profits of the authority, at such times and  
84 8 subject to such financial transfer requirements as are  
84 9 provided in this Act.

84 10 c. Have perpetual succession as an instrumentality of the  
84 11 state and a public authority.

84 12 9. Notwithstanding any provision of chapter 99G, as  
84 13 created by this Act, to the contrary, the following provisions  
84 14 shall apply to the Iowa lottery authority:

84 15 a. Moneys appropriated from the lottery fund to the  
84 16 department of revenue and finance, for administration of the  
84 17 lottery for the fiscal year beginning July 1, 2003, and  
84 18 unexpended prior to September 1, 2003, shall be appropriated  
84 19 to the Iowa lottery authority for operation of the lottery.

84 20 b. Of the moneys collected by the lottery division and  
84 21 Iowa lottery authority for the fiscal year beginning July 1,  
84 22 2003, fifty-four million eight hundred thousand dollars shall  
84 23 be transferred to the general fund of the state.

84 24 c. Any authority for establishing the budget of the Iowa  
84 25 lottery authority pursuant to chapter 99G, as created by this  
84 26 Act, shall only apply for the fiscal year beginning July 1,  
84 27 2004, and each succeeding fiscal year.

84 28 Sec. 121. EFFECTIVE DATE. This division of this Act,  
84 29 creating the Iowa lottery authority, takes effect September 1,  
84 30 2003.

84 31 SF 453  
84 32 jp/cc/26